Austria	Sch. 18	Indonesia	Rp 2500	Portugal	Esc 89
Bahrain	Din.0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr.38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils.500	Spain	Pta 110
Cyprus	C£0.60	Kuwait	Fils.500	Sri Lanka	Rup 30
Denmark	Dkr.7.25	Lebanon	£L 8.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr 38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rgt 4.25	Taiwan	NT $65
France	FFr. 5.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr. 6.00	U.S.A.	$1.50
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,548 Tuesday February 12 1985 D 8523 B

France: Mitterrand bids for the middle ground, Page 16

World news | Business summary

Arafat and Hussein in Palestine peace bid

King Hussein of Jordan and PLO leader Yassir Arafat agreed the framework of a joint bid for a "just, peaceful settlement of the Palestinian issue."

Meanwhile, King Fahd of Saudi Arabia began a state visit to the U.S. by telling President Reagan that the Palestinian problem was the root cause of instability and turmoil in the Middle East. He said: "I hope your Administration will support the just cause of the Palestinian people."

President Reagan said the legitimate rights of the Palestinians should be addressed in direct negotiations – a reference to U.S. hopes that King Hussein will enter talks with Israel. Page 18

Solidarity split

Solidarity leader Lech Walesa called for indirect protests against food price rises instead of a 15-minute national strike urged by underground leaders of the banned trade union. His statement disclosed a split with the clandestine leadership.

Glemp charge

Cardinal Jozef Glemp accused Poland's Communist authorities of waging an ideological struggle against the Roman Catholic Church and said he would defend priests threatened with imprisonment.

Spy suspects

Thirteen suspects in India's spy scandal, arrested with three others three weeks ago, were remanded in custody by a magistrate until February 22.

Israelis bomb base

Israel said its jets bombed a Palestinian base in east Lebanon for the second day running. Syria said many civilians, including children, were killed.

Kampuchea plea

Foreign ministers of the Association of South East Asian Nations called for more military and political support for Kampuchean guerrillas.

Anti-terror move

Italy is pressing EEC partners for a meeting of home affairs ministers to discuss ways to combat terrorism in Europe. Page 18

New Zealand stance

New Zealand will not become non-aligned or neutral. Prime Minister David Lange said. He said it was committed to "western values, Australia, the U.S., our traditions and our history."

Oil price forecast

World oil prices will fall further, possibly below $25 a barrel, over the next two years, a senior energy specialist from the U.S. State Department told an oil conference in Shanghai.

South Africa clash

South African police fired rubber bullets and tear gas at about 3,000 black students who rampaged through Seeisoville township in the Orange Free State, setting houses and vehicles on fire.

Mozambique floods

Southern Mozambique, devastated by drought for the past four years, has been hit by floods which are threatening crops and animals.

Servicemen killed

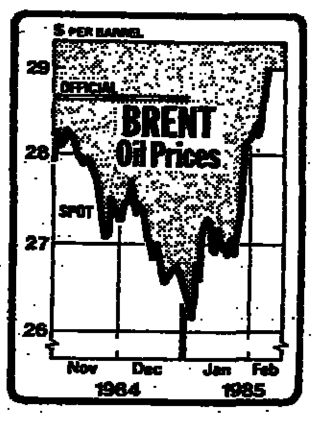
Eighteen RAF musicians were burned to death, their West German driver died and 23 others were injured when their bus collided with an aviation fuel tanker on the Nuremberg–Munich motorway south of Ingolstadt, Bavaria.

People Express suffers $9m loss

PEOPLE EXPRESS, the cut-price U.S. airline, reported its first quarterly loss for two years, of $8.96m, and a sharp decline in annual earnings, despite higher turnover figures. The profit was insufficient to cover preferred dividend requirements. Page 19

DOLLAR rose in London to DM 3.2750 (DM 3.2575); FFr 9.99 (FFr 9.94); SwFr 2.7940 (SwFr 2.7750); Y261.60 (Y260.65). On Bank of England figures, the dollar's exchange index rose to a record 150.3 from 149.3. Page 39

STERLING fell 1.40 cents in London to close at $1.0965. It also fell to DM 3.5925 (DM 3.6150); FFr 10.94 (FFr 11.04); SwFr 3.0650 (SwFr 3.08) and Y286.75 (Y289.50). The pound's exchange-rate index fell to 71.1 from 71.8. Page 39



SPOT OIL prices rose sharply in response to renewed cold weather in Europe and a shortage of light crudes for early delivery. Brent blend gained 40 to 50 cents a barrel to trade at its highest level for six months. Spot prices, Page 38

GOLD rose $0.75 on the London bullion market to close at $300.00. It fell in Zurich to $300.00 from $300.50. In New York, the Comex March settlement was $305.30.

WALL STREET: The Dow Jones industrial average was down 15.24 at 1,274.73 at 3pm. Section III

LONDON gilts were lower on concern about sterling, while equities closed slightly firmer with the FT Ordinary share index up 2.6 at 991.1. Section III

TOKYO stock market was closed for a holiday.

NORWAY will increase its crude oil price by $1 a barrel in February, although longer-term trends still indicate a fall when the cold weather ends, sources in the state-owned oil company Statoil said.

AID totalling Ecu 111m ($83m) for 32,400 displaced steel and coal workers in all EEC countries except Greece and Ireland was announced yesterday by the European Commission.

DSM, the Dutch state-owned chemicals company, will begin production in July at a powder coatings resin plant in Spain as part of an increasing emphasis on special products. Page 20

CANADIAN PACIFIC, resources and transport group, last year raised net profits to C$375m ($253m) from C$143m. Page 19

MANUFACTURERS Hanover Trust's Spanish subsidiary has entered the country's list of top 10 earners after a 32 per cent profit rise to Pta 3.66bn ($20.5m). This is the first time a foreign bank has entered the list since Spain opened its doors to international competition six years ago. Page 20

PLANNED merger between German steel manufacturers Krupp Stahl and Klöckner-Werke, involving Australian mining group CRA as a partner, might still fail, according to the Economics Minister in North Rhine Westphalia state.

NORINCO, China's main weapons producer, became the country's fifth biggest export earner last year with foreign sales totalling $1.6bn, a Chinese business newspaper said.

EEC doubts over intervention as $ hits new peaks

BY MAX WILKINSON IN LONDON AND QUENTIN PEEL IN BRUSSELS

THE DOLLAR surged to record levels yesterday against most main European currencies amid concern from EEC finance ministers about the failure of any co-ordinated intervention to dampen its rise.

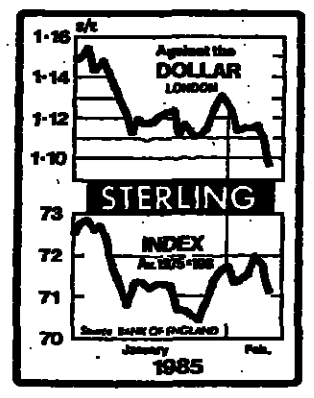
Dealers said demand for the dollar continued from all sides although trading was not especially heavy.

The dollar rose almost 2 Pfg against the D-Mark in London, to close at DM 3.275, its highest level for 13 years. It pushed the pound to a record low of $1.0965 and reached record levels against the French franc and Italian lira. It continued strong in early New York trading, briefly breaching the FFr 10 level for the first time.

Dealers reported little evidence of central bank intervention in the currency markets, and a mounting belief that the five leading industrial powers were disillusioned about the possibilities of a concerted attack on dollar speculation.

Last month in Washington, the U.S., West Germany, France, Britain and Japan agreed to a co-ordinated selling of dollars to try to prevent the continued "overshooting" of the dollar.

The U.S., however, was always lukewarm about the idea, and does not appear to have intervened very heavily so far.



Dealers yesterday reported no new developments that might explain the surge in the dollar, apart from the attractiveness of high interest rates in the U.S.

In Brussels yesterday, EEC finance ministers expressed concern at the continuing imbalance in the international money markets and the failure of intervention to restrain the U.S. currency.

In informal discussion at their monthly council meeting in Brussels, the general feeling was that last month's Washington meeting had made no impact on the foreign exchange markets.

Sig Giovanni Goria, the Italian Finance Minister and chairman of the meeting, said afterwards that "even agreements between major countries have proven to be very fragile.

"If we look at the turn taken by the exchange markets, I think the ministers' opinions would not differ much from the opinions of ordinary citizens. Very few people have noticed the decisions taken in Washington."

Sig Goria said the general conclusion was that the strength of the dollar indicated the international opinion about the strength of the U.S. economy, and Europe must try to match U.S. economic growth.

"I do not think we should increase tension by complaining at the Americans, but encourage them to seek solutions so that the imbalance in the money markets can be brought back to balance," he said.

In early trading in London, the pound held up fairly well against the onslaught of the dollar, but by

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UK's shrinking budget options, Page 17; Lex, Page 18; Money markets, Page 39

Ministers edge towards fresh Gatt meetings

BY JUREK MARTIN IN TOKYO AND CHRISTIAN TYLER IN LONDON

THE TRADE ministers of Japan, the U.S., Canada and the European Community have inched towards a new multilateral round of trade negotiations in the course of their latest regular meeting held in Kyoto over the past two days.

They agreed that a preparatory committee within the General Agreement on Tariffs and Trade (Gatt) should be formed "as soon as possible" to work out an agenda for the negotiations, which, the four ministers said, they wanted to start in 1986.

The group did not try to set a date for the formation of the preparatory committee; but Japanese officials claimed that its planned early creation reflected a "more positive" attitude to the new round on the part of the EEC, compared with the previous meeting last year. The U.S. delegation was said privately to doubt the extent of the EEC's conversion.

Although the Kyoto meeting adds fresh momentum to the rich nations' move for early Gatt negotiations, it is far from certain that the developing countries can be won over to the idea in such a short time.

An indication of their latest position – especially on the contentious question of liberalising trade in services – is expected at the end of the month when the Gatt's consultative group of 18 countries next meets.

The group, which includes Third World leaders Brazil and India, has been asked to map out the Gatt timetable for the rest of this year. In particular, it may be able to suggest to the Gatt council, the executive body, whether a special mid-year session of the 90 member-states to launch a negotiation is feasible.

Meanwhile a series of public and private conferences of ministers in coming months, including the Western economic summit in Bonn in May, will have to consider whether a pre-negotiation North-South consensus is achievable.

The chief impetus for a new trade round has come so far from Japan and the U.S. Canada has also endorsed it, although is known to be concerned about its contents, particularly that it does not exclude finished and semi-finished raw material products, such as lumber, of which it wants to sell more.

Mr Keijiro Murata, the Minister for International Trade and Industry, said that, in Japan's view, "1985 is a very important year for the free trade system."

Officials from his ministry later explained that although the economies of some European and developing countries were still suffering from structural difficulties, the general global economic condition was better than for some time. It was, therefore, important to advance the cause of free trade while the going was relatively good. A missed opportunity now could only help protectionist forces later, they said.

The other ministers present – Mr William Brock, the U.S. trade representative, Mr Willy de Clercq, the EEC Commissioner for External

Continued on Page 18

J.C. Penney to order British clothing because of weak £

BY CARLA RAPOPORT IN LONDON

J.C. PENNEY, the second largest U.S. retail group, is to take advantage of the dollar's strength against sterling by ordering clothing from British manufacturers.

The move, expected to be announced within a few weeks, is believed to be the first such order by a leading U.S. retailer for nearly a decade.

The initial contracts with UK manufacturers, believed to be worth between £6 and £8m ($6.6m–$8.8m), will be aimed at a special British clothing promotion this autumn at a selected number of J.C. Penney stores. The contracts may be expanded if the initial products are well received.

Some 30 UK manufacturers are currently gearing up production to satisfy the new contracts. Most of the firms are big suppliers of Marks & Spencer, Britain's largest clothing retailer.

The companies include Nottingham Manufacturers and its Mansfield Hosiery division, Dewhirst, S. R. Gent, Mansfield Hosiery, a division of Nottingham, and Relden, a privately held firm specialising in women's dresses and separates. Dewhirst, based in north-east England, is believed to have one of the largest contracts.

Ms Rosemary Banyard, textiles analyst with London stockbroker James Capel, said yesterday: "The strong dollar has given the UK suppliers a foot in J.C. Penney's door. If the trials go well, this could open the way towards more than 500 U.S. stores."

It is understood that Penney will be importing a wide range of British goods, ranging from sport jackets and dresses to hats and gloves. "The made-in-England label is very important to Amercian consumers," said Mr Ian Christie, administration manager for Portman, Penney's agents in Britain.

Two years ago, J.C. Penney embarked on a $1bn, five-year plan to upgrade its stores and its image. It dispensed with its paint and garden supply sections and extended its apparel range into higher-priced brackets.

A number of British clothing manufacturers apparently declined Penney's approaches in deference to their contracts with Marks and Spencer. Courtauds is believed to be in that group.

Those companies also fear that the U.S. business will abruptly dry up if sterling strengthens considerably against the dollar.

UK civil servant cleared by secrets trial jury

By Raymond Hughes in London

A BRITISH JURY yesterday acquitted Mr Clive Ponting, a senior civil servant, of secrets charges arising from his leaking of official documents about the sinking of the Argentine cruiser General Belgrano during the Falklands war.

Mr Ponting's acquittal was greeted with cheers in London's Central Criminal Court and by a chorus of demands, in parliament and elsewhere, for repeal of the controversial section of Britain's Official Secrets Act under which he had been charged.

The verdict also put a question mark against the political future of Mr John Stanley, Minister for the Armed Forces, who, although he did not give evidence at the trial, figured largely in it.

The jury of eight men and four women decided that Mr Ponting, formerly a senior adviser in the Defence Ministry, did not commit an offence under Section Two of the Act when he sent two documents about the sinking of the Belgrano to Labour MP Mr Tam Dalyell, a persistent critic of the Conservative Government over the affair.

Mr Ponting claimed that he leaked the documents to Mr Dalyell because he believed that parliament was being misled by the Defence Ministry about the events leading up to the sinking of the Argentine cruiser.

He denied the prosecution allegation that he had acted out of "pique or rancour" because his ministers – Defence Secretary Mr Michael Heseltine and Mr Stanley – rejected his advice about the way to respond to MPs' inquiries.

He claimed that Mr Stanley had ordered him to draft two replies – one truthful and one untruthful – to give ministers a choice of answers to a letter from parliamentary leaders of the opposition Labour Party.

At the end of an 11-day trial the jury took just under three hours to reach their unanimous verdict.

Afterwards, Mr Ponting said: "I did what I believed was the right thing and despite all the pressures from the prosecution in the handling of this case, 12 ordinary people have shown me to be right."

"This has been a long, hard, six-month fight against a blatantly political prosecution by the Government.

"My judgment about what was in the national interest has been shown to have been right and the way ministers inside the Ministry

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London vetoes 'unnecessary' Oslo gas deal

BY IAN HARGREAVES IN LONDON

THE BRITISH Government yesterday vetoed British Gas's $30bn plan to import gas from Norway's Sleipner field.

Mr Peter Walker, the Energy Secretary, told the House of Commons that so much additional gas had been found on the UK continental shelf in the last year that "it will no longer be necessary to import gas in the 1990s on the scale anticipated even last summer."

Mr Walker said that when official figures on oil and gas reserves were published in April, it would show a 6,200bn addition to UK gas reserves. That represents a 15.3 per cent increase on the figure published last April. Sleipner contains 7,000bn cubic feet of recoverable gas.

Mr Walker said that "good progress" had been made in talks between the two governments since last summer, when the UK Government insisted upon a 20 per cent cut in the proposed peak off-take from Sleipner. But since that date, the results of last year's record level of drilling on the UK continental shelf had forced the Government to think again.

The UK shelf, Mr Walker said, "now seems likely to provide sufficient gas to meet the needs of the British market well into the 1990s." The UK Government, with British Gas, would "keep under review the likely availability of supplies to meet demand in the coming decades."

The comment was apparently designed to keep open the door to possible imports for the mid to late 1990s and to remind the oil companies that will now start to sell their newly found gas to British Gas that the option of foreign supplies still exists if they try to drive too hard a bargain on price.

British Gas, which has given warnings that without Sleipner it might not be able to meet all its customers' needs, said last night it was "obviously disappointed" at the Government's decision.

The corporation said it did not see any threat to its ability to supply customers' needs, but that freedom to import would remain a crucial element in filling the supply gap British Gas could still see in the 1990s. It expected to be able to contract sufficient gas to sell to customers in the 1990s and urged oil companies that have found new gas fields to offer the contents for sale to the corporation "in good time."

In Norway, however, there is a good deal of irritation over the fact that it has taken a year for the British Government to debate the proposed deal, before finally rejecting it.

Mr Kare Kristiansen, the Norwegian oil minister, said there would not be a new round of bargaining about Sleipner with Britain, but that the three licensees of the field – Statiol, Norsk Hydro and Esso – would have to decide what to do next.

There is no obvious alternative customer for Sleipner, since most western European utilities already have contracts for more gas than they can use. Norway is now expected to switch its emphasis to oil developments and Statiol will today announce details of its plans to speed up production from the Gullfaks oil and gas field.

Mr Alick Buchanan-Smith, Britain's energy minister and Mr Walker's deputy, said it was the scale of the Sleipner proposal that had created the problem.

When Britain considered gas importes in the future, Norwegian supplies would be carefully re-examined, he said. Britain's strong preference, he said, was to import any foreign gas it needed from western Europe rather than from the Soviet Union, which is the world's leading gas producer and an important supplier to a number of countries, including France and Germany. The Netherlands is Europe's other chief gas exporter.

The UK Government also hopes that the more rapid development of UK gas reserves will provide a significant boost for the domestic offshore supplies office.

Ivor Owen adds: Mr Walker denied in the House of Commons last night that the decision not to proceed with the purchase of gas from the Sleipner Field amounted "a gamble" with Britain's future gas supplies.

He promised that all the information that had led to the decision would be made available "in the very near future."

Details, Page 12

CONTENTS

Greek leader in Moscow

BY PATRICK COCKBURN IN MOSCOW

THE GREEK Prime Minister, Mr Andreas Papandreou, who is on a three-day visit to Moscow, is expected to meet President Konstantin Chernenko today in the first public appearance of the Soviet leader for six weeks.

Soviet officials confirmed last week that Mr Chernenko had been ill but he was able to attend the weekly meeting of the Politburo last Thursday. Today will be the first time he has been seen in public this year and could quell rumours circulating among diplomats that he is seriously incapacitated.

Mr Papandreou is particularly welcome in Moscow because he has long been a critic of U.S. policies. The Greek Government does not support the deployment of cruise and Pershing 2 missiles in Western Europe and is committed to the removal of nuclear weapons and U.S. bases from Greece.

The Greek delegation is hoping for commercial benefits from the visit including the signature of a contract — announced last year — for a $450m aluminium plant to be built in Greece with Soviet equipment and finance.

Greece is also interested in contracts for shipbuilding and repair and progress on a pipeline to bring Soviet gas to Athens via Bulgaria.

Andriana Ierodiaconou adds from Athens: Mr Papandreou was given the task in New Delhi last month of briefing the Soviet Union on the progress of a six-nation initiative on nuclear disarmament undertaken by Greece, India, Tanzania, Mexico, Sweden and Argentinaa.

His visit is the first by a Greek prime minister since Mr Constantine Karamanlis went there in 1979, launching a foreign policy opening towards the Soviet Union.

Domestically it will be useful in attracting left-wing votes in an election year, as well as defusing acute Communist opposition criticism about changes in the electoral system. A general election must be held by next October.

Higher paid Soviet worker finds little to spend his money on

BY OUR MOSCOW CORRESPONDENT

WAREHOUSES IN the Soviet Union are piled high with shoes and clothes that nobody wants to buy, according to an economist here. Some 9 per cent of fabrics and footwear produced in recent years has been of such poor quality that it has either had to be sold cheaply or written off as unsaleable.

In the southern republics of Azerbaijan, Georgia and Armenia, he claims, as much as 30 per cent of local light industry's entre output has had to be rejected.

Because there is such a shortageof good quality goods to buy, higher wages provide only a limited incentive to Soviet workers, says Dr V. Kletsky from Minsk, writing in Eko, a monthly economic journal.

These failings are an obstacle to the economic experiment now being carried out. The aim is to produce more high quality goods by linking productivity to increased wages but, until such quality goods are available in quantity, higher pay is only a limited incentive.

Pent up demand has also led to a significant increase in savings. Wages have risen much faster than prices, causing savings in the banks almost to double from Roubles 91bn (£92bn) to Roubles 174.3bn in the seven years to 1982. By the end of last year they had risen another Roubles 12.6bn, "the greatest rise in recent years," says Dr Kletsky.

Between 1975 and 1982 state retail prices rose by only 8.3 per cent, but total wages by 37 per cent. Over the same period, the production of consumer goods went up by only 29 per cent

Dr Kletsky says that the disparity between prices, wages and production is because. "until recently, wage increases were decided upon according to targets set at party congresses and had little to do with actual production growth."

The new economic experiment, initially applied to five ministries in 1983, plans to reduce the output of poor quality goods by making individual enterprises take greater managerial responsibility. Increased wages and higher productivity are directly linked to an increase in wages.

People should sense "a direct dependence between their labour and their pay," Mr Mikhail Gorbachev, a senior member of the Soviet politburo, said last year.

Yugoslav prices soar in January

BY ALEKSANDAR LEBL IN BELGRADE

RETAIL PRICES rose by 9.2 per cent in January, the steepest monthly increase in Yugoslav history. The rise in inflation, which measured 63 per cent, on a year-on-year basis, followed the lifting of most price controls on January 1.

But, although the Government expected an increase in prices, the sharp surge came as an unpleasant surprise. This was especially so as it was announced on the eve of a new round of talks with the International Monetary Fund.

The present stand-by agreement, which expires at the end of March, provides for interest and exchange rates to be linked to the inflation rate. Interest rates on three-month deposits should reach one pecentage point above inflation on April 1, and the dinar should depreciate by the difference between Yugoslav and world inflation according to the agreement.

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Glemp leaps to defence of Poland's priests

By Christopher Bobinski in Warsaw

CARDINAL JOZEF GLEMP, head of the Roman Catholic Church in Poland, yesterday abandoned his usual caution and spoke out in defence of the clergy, denying government charges that they were breaking the law by introducing politics into their sermons.

His statement suggests that he is preparing to confront the Government's accusations as the authorities maintain their propaganda campaign in an attempt to wring concessions from the Church.

"We shall defend our priests, although, of course, we don't want them to get involved in politics directly," the cardinal told Western journalists yesterday at a rare news conference before visiting Britain next week.

Cardinal Glemp's declaration follows attacks in the state-controlled media on the Polish Church's outspoken priests and warnings that their activities will not be tolerated.

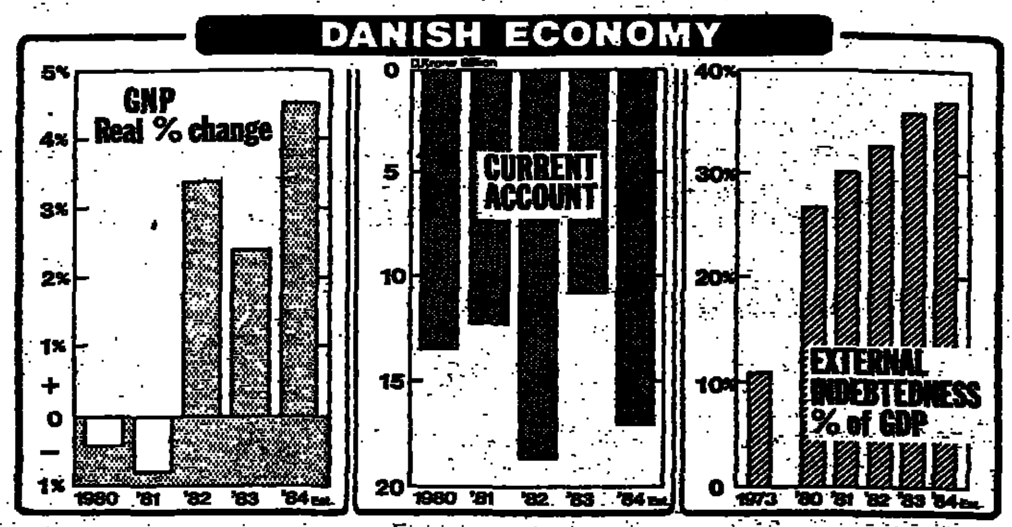
The attacks started at the trial of the four government security men found guilty last week of murdering Fr Jerzy Popieluszko, the pro-Solidarity priest, and have continued since.

The cardinal denied that Fr Popieluszko's sermons were in any way incorrect theologically, thereby defending the dead priest against charges that he "misused his pulpit." This was an important government theme at the six-week-long trial.

Despite his noticeably tougher line, the cardinal held out hope of a meeting with General Wojciech Jaruzelski, the Communist party leader, and played down the significance of the attacks on the Church in the media. "These do not amount to a total attack but merely minor acrimonious remarks," he said.

Reuter adds from New Delhi: Gen Jaruzelski, who arrived here yesterday on his first official visit outside the Soviet bloc, said Poland's economy was on the road to recovery.

Hilary Barnes, in Copenhagen, reviews an economy which last year grew faster than that of any other European nation, where manufacturing industry's output went up by 11 per cent and investment by 20-30 per cent, and which saw the creation of some 50,000 jobs, all of them in the private sector.



Denmark's small economic miracle

MR KJELL ANDERSEN, head of the OECD's economic and statistical department in Paris, was quoted recently as describing the development of the Danish economy over the past two years as a small miracle.

Almost everything has gone right for the economy since Prime Minister Poul Schlueter's non-Socialist coalition Government took over in the autumn of 1982, with the single important exception of the deficit on the current account of the balance of payments.

The economy took off in the summer of 1983, following measures by the Government in the winter of 1982 to suspend the wage - price indexation system and to stabilise the budget by curbing expenditure and raising more revenue.

In 1984 the increase in real Gross Domestic Product was about 4½ per cent, the fastest growth rate in Europe. This growth was derived entirely from an increase in private sector demand: there was no increase in public sector consumption and investment.

Manufacturing output increased by no less than 11 per cent and investment in manufacturing in real terms seems to have risen by an astonishing 25-30 per cent. Final estimates are yet to come. According to the federation of industries the investment surge will continue this year.

About 50,000 new jobs were created last year all in the private sector, an addition of about 3 per cent to total employment. As the labour force is still expanding, unemployment fell by only 20,000 to about 258,000 in November, or 9.8 per cent of the workforce.

Consumer prices in the 12 months to November increased by 5.6 per cent, while hourly wages in manufacturing increased by a modest 4½ per cent, contributing to an imrovement in the competitiveness of industrial exports, which increased in value by 17 per cent. Total exports of goods increased by 12 per cent.

The boom has worked wonders for the Government's shaky finances. The budget deficit in 1984 came down from the Kr 54bn (£4.2bn) forecast at the beginning of the year to Kr 44bn, as unemployment benefit costs decreased and revenues rose.

Improvement

The forecast for 1985 is an improvement in the deficit to Kr 36bn, or about 6 per cent of GDP, compared with a deficit equal to 11.9 per cent of 1982's GDP when the present government took office.

The 1984 performance has demonstrated the flexibility and latent dynamism of Danish industry, given a reasonable environment in which to operate. Its edge, Danish industrialists say, has never been dulled by the payment of direct subsidies (not even to the shipyards and the clothing industries) and none of it, except the utilities, is nationalised.

If Denmark can keep up its 1984 performance the country's most pressing problems, its large budget deficit and rocketing foreign debt, would be resolved the Finance Ministry believes. By 1989 the budget deficit would be all but eliminated and the external account in surplus.

Apart from the possibility that the negotiations for new collective wage agreements in the public and private sectors are continuing, and unless they lead either to a damaging labour conflict or to a resurgence of wage inflation, the only major snag is the external account.

Last year the current account deficit increased to an estimated Kr 16-17bn, about 3 per cent of GDP, from Kr 11bn. At the end of 1983, net foreign debt was already equal to 36 per cent of GDP. It is now a notch or two higher.

The building up of stocks at the start of the recovery and rising interest costs on the foreign debt, reflecting the strength of the dollar, were among the reasons for the increase in the deficit. Imports increased by about 15.4 per cent while exports went up by 12.3 per cent taking the trade gap for 1984 from Kr 2.1bn in 1983 to Kr 7bn last year.

The Government hopes that as stock building eases off, the current account will improve, but stocks are not the only reason for the rising deficit: consumer goods imports increased by about 23 per cent last year.

With the Government reluctant to apply the fiscal brakes, the central bank has endeavoured to restrain credit growth. Lending by the banks increased by about 13½ per cent in the 12 months to November, but the central bank is aiming to bring the expansion down to an annual rate of 10 per cent

Mortgage bonds are now yielding about 14.2 per cent and the average yield for all series came down to 13.3 per cent. Mr Erik Hoffmeyer, the governor of the central bank, has made it clear that a reduction in interest rates can only be expected if the external account improves.

The Danish success and this particular failure are reflected in the krone exchange rate. The Danish currency has consistently been among the strongest members of the European Monetary System in recent months, but the krone's strength is also linked to the need to maintain a big gap between their own and Euromarket interest rates in order to attract foreign exchange.

It is an interesting question, however, whether the central bank's monetary management has not contributed to the deterioration in the external account. The economy has been allowed to remain highly liquid: money supply increased by 25 per cent in 1983 and by 18.6 in the 12 months to November last year.

Determined

Denmark's current account deficit and the large foreign debt have been a serious cause of concern for more than a decade. So far, the economy has responded well to the Government's determined attack on the budget deficit and inflation, and although the current account is still in substantial deficit, the trade balance on goods and services has shown a steady improvement since 1979.

Nevertheless because the foreign debt is so large, the cost of servicing it on the foreign debt continues to tick up alarmingly quickly, with the amount rising from about Kr 18bn in 1983 to about Kr 23bn in 1984. A very rapid miprovement on the trade balance is needed just to keep the external account from becoming worse. It is a tough challenge, and the Government has yet to show that it is on top of this problem.

Warsaw Pact treaty meeting 'still likely to be held in Sofia'

BY PATRICK BLUM IN SOFIA

THE EASTERN summit to renew the Warsaw Pact treaty, postponed from last month due to Soviet President Konstantin Chernenko's illness, is still likely to take place in Sofia as planned, President Todor Zhivkov of Bulgaria said yesterday.

Talking to journalists just before meeting Sir Geoffrey Howe, Britain's Foreign Secretary, the Bulgarian leader confirmed that the Political Consultative Committee of the Warsaw Pact, grouping Soviet bloc leaders would be convened. "The next meeting is due to be in Sofia." The timing, however, would be collectively decided, Mr Zhivkov said.

The occasion of Mr Zhivkov's comments to Western reporters was the historic visit by Sir Geoffrey, the first by a British Foreign Secretary to Bulgaria since diplomatic relations were established between the countries more than 100 years ago.

Sir Geoffrey said the delay had been "much too long" and agreed with Mr Zhivkov that his visit should prove "a stimulus" to the "healthy" relations already existing between the two countries.

Arriving from Romania on Sunday, Sir Geoffrey held discussions in Sofia yesterday with Mr Grisha Filipov, the Prime Minister, and Petar Mladenov, the Foreign Minister, as well as the Bulgarian President, before departing for Turkey.

East-West relations, arms control and commercial issues dominated Sir Geoffrey's discussions in Sofia. Total bilateral trade was only £73.2m ($80.5m) last year, but growing fast (up 30 per cent from 1983) and sharply in Britain's favour with the UK selling £56m last year to Bulgaria and buying £17.3m.

This trend, combined with the opening today of a British trade week in Sofia and the forthcoming visit to Britain of Mr Hriste Hristov, the Bulgarian trade minister provided a "favourable background" to further trade expansion, Sir Geoffrey said at a press conference.

Sir Geoffrey and Bulgarian ministers welcomed the return next month of the U.S. and the Soviet Union to the arms negotiating table. But they said they were aware that progress towards arms accords would not be easy.

The UK Foreign Secretary also stressed that Nato was defensive and that Britain was not trying to undermine the Warsaw Pact. "We all recognise that the alliances have to be taken as realities for the foreseeable future," he said.

The Warsaw Pact treaty, signed in 1955 for 30 years, expires in May. President Zhivkov yesterday shed a little light on plans for its renewal. At 73, he is the longest serving Soviet bloc leader and, in banter with journalists, was spritely. Although the Eastern alliance may be renewed in Sofia, "it will still be the Warsaw Pact. It's a pity we cannot change the name," he said.

● Sir Geoffrey arrived in Ankara yesterday on the first top-level British official visit to Turkey since the military revolution of 1980, David Barchard in Ankara writes.

Sir Geoffrey will see President Kenan Evren and Mr Turgut Ozal, the Prime Minister, as well as his Turkish counterpart Mr Vahit Halefoglu during a day of intensive talks today.

He is also expected to meet opposition political leaders.

Turkey and Britain have had an increasingly warm political relationship in recent years, which has to some extent offset tensions in Turkey's relations with other leading EEC countries such as West Germany and France.

Britain has consistently backed Turkey against its critics in the European Community and the Council of Europe, while maintaining a line of cautious unease about Turkey's human rights record.

Turkey is seeking Britain's help to unblock Ecu 600m ($413.4m) of EEC aid, frozen since 1981 because of objections to its human rights situation.

Britain is also eager to learn Turkish views on the future of the Cyprus dispute, though diplomats here stress that Britain does not want to get in the way of existing efforts by Sr Javier Perez de Cuellar, the United Nations Secretary General, for a settlement.

It is still unclear whether Britain wishes to retain its guarantor status in any future settlement

From the British point of view, however, Turkey is now chiefly interesting as a market for weaponry. In 1983 Turkey agreed to purchase 36 Rapier missiles at a cost of over $100m and a further purchase on the same scale is now being contemplated.

EEC moves to align industrial standards

By Paul Cheeseright in Brussels

THE EEC is likely to take a significant move towards creating a freer internal market by the middle of the year by adopting a new approach to industrial standards.

Trade ministers meeting here yesterday gave a generally warm welcome to the first initiative of the new European Commission in this area. The spread of common EEC industrial standards would enable goods to be traded more easily by eliminating national technical barriers.

"My guess is that it's got a very good chance of getting through next time," said Mr Paul Channon, the British Trade Minister. The next meeting of ministers concerned with the internal market is expected in May.

The Commission has been instructed to produce a concrete proposal to bring the policy into operation. This will provide for the general establishment of a Community standard based on health and safety for any particular group of products.

Detailed technical standards would be settled at national level but once a product met the Community standard it could be freely traded throughout the Ten.

Another initiative to make it easier for Community citizens to cross frontiers, ran into difficulty, however. This would replace existing controls with spot checks on the basis that Community citizens would have free movement by attaching a green disc on their cars or waving a European passport.

"We feel very strongly that if you only had a spot check system, you would have very many more animals smuggled in and you would have problems with immigration and security," said Mr Channon.

Spanish enclaves stir nationalist passions

BY DAVID WHITE IN MADRID

PROGRESS IN talks between the UK and Spain over the status of Gibraltar, the British colony at the southern tip of Spain, has rekindled arguments between Spain and Morocco, and within Spain over the future of the enclaves of Ceuta and Melilla on the North African coast. These are the only possessions remaining in Spanish hands since Morocco gained its independence.

Spain's response to the periodic repetitions of Morocco's claim to "the occupied cities of the north" has always been to insist on the "Spanishness" of both ports.

This argument rests on two pillars. One is that both towns have been Spanish since long before the foundation of the modern Moroccan state — Melilla since the end of the 15th century and Ceuta, previously held by the Portuguese, since the 17th century—and have therefore never been Moroccan.

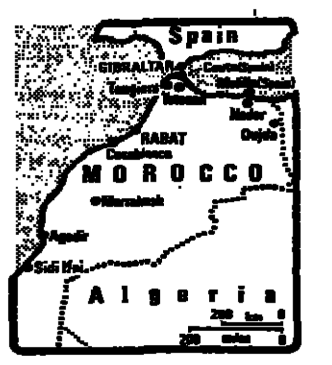
Gibraltar, on the other hand, was Spanish for more than two centuries before a British admiral seized the rock during the War of the Spanish Succession in 1704.

The other side of the argument is that the populations of both towns are Spanish. The proportion of Arab inhabitants has been increasing, however, particularly in Melilla.

Spanish sovereignty over the enclaves is an extraordinarily delicate issue, especially among the Right-wing military, in Spain because of the role of the enclaves in the Spanish civil war. The Nationalist army revolt, led by General Franco, began in the garrison at Melilla.

Jitters among the local population have been increased by two recent developments: last year's surprise pact between Morocco and Libya and the progress in Anglo-Spanish talks on Gibraltar. The latter has raised immediate questions about the competition Ceuta will face as a free port now that the Gibraltar frontier has opened.

Officially, just as Britain insists that Gibraltar, Hong Kong and the Falkland Islands are different and unconnected cases, so Spain argues that the Gibraltar issue has nothing to do with Ceuta and Melilla.



Members of the Socialist Administration recognise in private however that Spain cannot both recover Gibraltar —an objective seen as taking at least 25 years — and keep the status quo in the North African enclaves. The problem today is that Spanish opinion is over-prepared in one instance and totally unprepared the other.

Sr Santiago Carrillo, the crusty former Communist leader, has already begun to stir up the issue. "Ceuta and Melilla are Moroccan territory," he declared at the weekend, "and we have to start preparing public opinion in that direction."

Friends and foes line up behind Morocco's claim

BY FRANCIS GHILES

KING HASSAN of Morocco and his late father, King Mohammed V have never made any secret of their wish to see Ceuta and Melilla return to the mother country.

But, as with Tangiers and the two other former Spanish enclaves which lie on the kingdom's south-west shore, Tarfaya and Sidi Ifni, both monarchs have sought to reclaim sovereignty by political rather than military means.

The two enclaves belonged to the Moroccan crown throughout the Middle Ages. Ceuta was conquered by the Portuguese in 1415 and Melilla by the Spaniards in 1497. That was five years after the Spanish monarchs had retaken the city of Granada in southern Spain, the last vestige of the Moslem kingdoms which had ruled much of the Iberian peninsula for 600 years.

The conquest of Ceuta was followed in the 16th century by the Spanish occupation of Oran and Algiers and then Tunis and Jerba, the island which lies on Tunisia's Libyan frontier.

The dispute over the enclaves is even more complex because Morocco itself was colonised in the early years of this century by two European powers, Spain and France. It achieved independence from both in 1956, in which year it reoccupied Tangiers, which had been an international zone.

Tarfaya was retrieved in 1958 and Sidi Ifni in 1969, both from Spain. The Moroccan monarchs also claimed the Western Sahara and Mauretania. They surrendered their claim to Mauretania in the early 1970s but not to the former Spanish colony of the Western Sahara.

When Spain left the colony at the end of 1975, the Moroccan army occupied the territory, thus prompting a conflict with the Polisario Front which, for the past 10 years, has been fighting for an independent state, with the strong backing of Algeria.

While more than 50 countries, and a majority of African states have recognised the Polisario's self-proclaimed Saharan Arab Democratic Republic (SADR) it seems very unlikely that they will take a similar view over Ceuta and Melilla.

Most African and Arab countries view the situation of the enclaves as a colonial one; thus any progress on the transfer of sovereignty over Gibraltar emphasises the continuing presence of Spain in Africa.

Then Algeria, whose relations with Morocco are very tense because of the Western Sahara dispute is likely to support its claim.

FURORE IN SPAIN OVER HASSAN'S TV INTERVIEW

THE EXTREME sensitivity in Spain surrounding the issue of Ceuta and Melilla was demonstrated at the weekend by the furore over a television interview with King Hassan, writes David White. His remarks on Morocco's claims were cut out of the full version of the interview after being shown in previews

The decision to remove the offending passage, in which King Hassan linked Morocco's case to Spain's claim to recover Gibraltar from Britain, came after fierce protests from Ceuta and Melilla and the announcement of a legal action against the head of television news.

This action is being brought by Sr Miguel Angel Roldan, Socialist Senator for Melilla, who denounced the state-owned network for broadcasting "statements menacing the territorial integrity of Spain."

The incident is a serious blow to efforts to build up the credibility of Spanish elevision as an independent body. But it was not immediately clear whether the decision was made out of fear of provoking a public storm or because of any specific instructions.

King Hassan also introduced a new strategic argument to back his case, saying that if Spain were to regain Gibraltar and remain in Nato, then the Soviet Union would not accept having all three key points at the entrance to the Mediterranean in Spanish hands.

In other respects he was conciliatory towards Spain. He said a solution should be sought through negotiations "in an atmosphere of peace and co-operation." He referred to his "cordially fraternal" relations with King Juan Carlos, spoke in flattering terms of the Socialist administration and expressed his belief in a project to link the two countries by a bridge or a tunnel.

High tech boost for French universities

By David Marsh in Paris

FRANCE is to bring in a modest package of university reform measures designed to strengthen links between researchers and companies in technical fields and to improve students' expertise in information technology.

The moves also aim to improve selection procedures to cut France's high university drop-out rate and to introduce an American-style system of outside grading to improve education quality.

M Roger-Gerard Schwartzenberg, secretary of state in charge of universities, who announced the plans yesterday, said 400 computer workshops would be set up at higher education establishments to ensure that students had at least 30 hours of "initiation" in computers.

The semi-professional computers for universities and technical colleges had not yet been chosen, he said, but priority would be given to French equipment when there was no more efficient material from abroad.

He announced as a "profound innovation" a new system under which university researchers and teachers will be able to take sabbaticals to deepen existing work or change to new disciplines where France faces a technological lag, especially in computers. Sabbaticals are not normally taken in France.

In line with policies being pushed by M Hubert Curien, the Research and Technology Minister, universities and colleges are being encouraged to agree research contracts and exchanges of personnel with outside companies.

Europe hit by worst freeze in 10 years

LONDON – Deep freeze temperatures, affecting much of Europe for the second time this winter, caused at least 15 deaths in Britain and froze the sea off Denmark.

Strong easterly winds and blizzard conditions caused chaos throughout Britain at the weekend. Four railway workers died in South Wales yesterday when a train ran into a work party clearing snow. Nine people died in a motorway pile-up in central England on a surface of sheet ice. A boy drowned in a fall through ice and a youth died in a car crash on an icy road.

Denmark and Sweden could soon be joined by ice across the 3km Oere Sound if freezing weather, with temperatures as low as –20°C continues Danish coastguards said.

Around Stockholm, icebreakers battled to free ships trapped in the ice and officials said navigation in the northern Baltic was impossible except in convoys.

In what they called the most severe winter of the decade, weathermen said temperatures in the northern Baltic average –25°C to –30°C and there was a strong Arctic wind.

In Norway health authorities told parents to keep babies indoors to avoid damaging lung tissue as temperatures plummeted to a 19-year low of –25°C in Oslo.

Organisers of next weekend's world speed-skating championships said they might be called off because temperatures below –15°C can cause breathing problems for skaters.

Yugoslavia was hit by the cold snap from northern Europe. Blizzards, icy rain and gales swept closed mountain roads and also disrupted traffic in the capital Belgrade. Temperatures dropped to between –8°C and –10°C, and gales whipped the northern Adriatic coast. Weathermen forecast a further drop to –20°C until the weather eases at the weekend.

But the freeze was good news for some people. Gas oil traders in Rotterdam said fuel prices surged in morning business, with European Community gas oil trading some $10 a tonne up from last Friday.

Reuters

Neves moves to ease tension among squabbling supporters

BY ANDREW WHITLEY IN RIO DE JANEIRO

FRESH from a successful tour of Western Europe and the Americas, Brazil's President-elect, Sr Tancredo Neves, moved yesterday to reassure his quarrelling political backers that his government will include representatives from all the groups which contributed to his electoral victory.

The likely composition of the Government, which assumes power on March 15, is the hottest political issue in Brazil.

The acrimonious jockeying for position, which is straining relations within the recently formed Democratic Alliance, centres on the extent to which Sr Neves is prepared to make a break with the military regime of the past two decades.

Sr Neves has gone to great lengths not to close any doors to potential supporters. He courted unpopularity with his Left wing by saying yesterday that he was even prepared to include members of the military-created Social Democratic Party within his Administration.

Much of the dispute has polarised around Sr Francisco Dornelles, head of the Receita Federal, the Brazilian Inland Revenue, who is retiring. Apart from being the President-elect's nephew and one of his closest advisers, Sr Dornelles is strongly tipped as Sr Neves' choice as Finance Minister.

For many politicians in the Democratic Alliance his choice would signify a continuation of policies associated with the military regime. Hence, the left wingers are demanding comparable influence in other key areas if he is apointed.

Key targts in the coalition's struggle for power are control of the two houses of congress, and the major spending ministries.

Coca-Cola bottling plant in Guatemala City to reopen

BY BRIAN GROOM, LABOUR STAFF

THE International Union of Foodworkers said yesterday that at least 265 of the 350 jobs at a Coca-Cola bottling plant in Guatemala City had been saved after one of the biggest international campaigns ever mounted by the trade union movement.

A local consortium has taken over the Coca-Cola franchise and will reopen the plant on March 1. If there are no hiccups that will end an occupation by members of the Stegac union which began on February 17 last year.

The sit-in has been sustained with the help of SwFr 200,000 (£67,000) raised from 100 union contributions in 18 countries. It began when the previous franchise holder, Egfa, announced immediate closure.

An international campaign was mounted by unions in 40 countries to bring Coca-Cola to the negotiating table. Action included strikes at Coca-Cola plants in Sweden, Norway and Mexico, short stoppages in Italy and a consumer boycott in the U.S.

At a meeting in Cost Rica in May, Coca-Cola agreed to look for a franchise holder who would continue to recognise the union. After difficult negotiations Stegac reached agreement with the consortium on February 1.

Mexico inflation rate blow

MEXICO'S consumer price index rose by 7.4 per cent in January, far above the Government's target of 35 per cent for the annual inflation rate, writes **Ronald Buchanan in Mexico City.** Last year, when annual inflation reached 59.2 per cent against a 40 per cent target, the index rose by 6.4 per cent in January.

Since the Administration of President Miguel de la Madrid took over in December 1982, the inflation rate has been reduced each year. January 2 was the first month to show an increase over the comparable month of the previous year during this Administration.

Mulroney concludes east coast energy pact

By Bernard Simon in Toronto

THE Governments of Canada and Newfoundland province have concluded an agreement ending the long dispute over control of Newfoundland's offshore oil and gas reserves.

The pact, signed yesterday by Mr Brian Mulroney, Canadian Prime Minister and Mr Brian Peckford, Newfoundland's Premier, illustrates efforts by Ottawa's Conservative Government to improve the capital's relations with the country's 10 provinces.

The Federal Government is also negotiating an energy accord with the producing provinces of Alberta, Saskatchewan and British Columbia. This is expected to improve returns to producers and give the federal authorities less control over energy pricing.

The Newfoundland deal includes a C$300m (£200m) development fund—75 per cent funded by a federal grant—to supply infrastructure for development of the offshore Hibernia field. Commercial production from Hibernia is scheduled to begin towards the end of the decade.

The Federal Government will have the final say in the pace of exploration and production at Hibernia at times when Canada is not self-sufficient in oil and gas or when the security of supplies from other sources is threatened.

Reginald Dale profiles Reagan's choice for U.S. ambassador to the United Nations

General Walters marches into the limelight

RETIRED U.S. Army General Vernon "Dick" Walters has long regarded it as one of his greatest assets that he can stand anywhere in the world in a crowded airport and nobody will recognise him. For his 1978 autobiography, he chose the title "Silent Missions," an accurate reflection of a long career in the army, in intelligence and as a special, often secret envoy for a string of U.S. presidents starting with Harry Truman in the late 1940s.

At the age of 68, he is finally coming out of the shadows and into the limelight, as President Ronald Reagan's choice to succeed the flamboyant Mrs Jeane Kirkpatrick as U.S. ambassador to the United Nations. The New York post is one of the least silent missions in U.S. diplomacy.

Gen Walters, however, has already made it clear that he does not plan to adopt the fiercely independent style of Mrs Kirkpatrick, who was often at odds with her Cabinet colleagues and particularly with Mr George Shultz, the Secretary of State.

"I do not intend to be just a messenger boy," he says. "But I do not intend to make difficulties for the policymakers of the U.S."

In his memoirs, Gen Walters says that his army background makes him loyal to, and protective of his superiors. Although he, like Mrs Kirkpatrick, will also have Cabinet rank, he is not the type to rock the boat—certainly not in public. Mr Shultz, who was among Gen Walters's leading supporters for the job, seems to regard his as an ally.

At the same time, his conservative credentials should prove reassuring to right-wingers inside and outside the Administration, who have been deeply distressed by Mrs Kirkpatrick's departure. While he has undertaken missions for presidents of both parties, his strong anti-Communist views and his contacts with foreign military leaders, especially in Latin America, have made him a favourite of conservative Republicans.

In the past four years, Gen Walters says that his missions for Mr Reagan have taken him more than 1m miles to 100 countries. Most recently, he has been in El Salvador, Sri Lanka and a number of African nations, logging an average of 10,000 miles a week on usually unpublicised assignments. He is a firm believer in Mr Reagan's policy of "quiet diplomacy," and behind the scenes persuasion, especially on issues of human rights violations.

For almost 40 years, he has been close to or on nodding terms with U.S. presidents, world figures and foreign heads of state, often as an unofficial interpreter. He speakes at least seven foreign languages.

The pictures in his book show him at meetings with such personalities as General de Gaulle, General Franco, Mrs Jacqueline Kennedy Onassis and Field Marshal Montgomery—sometimes in the foreground, but more often as a bulky 6 ft 3 in figure hovering in the background. He received his first intelligence assignment in World War Two, infiltrating a group of suspected German spies, after joining the army as a private in 1941.

General Walters: "not just a messenger boy"

The son of an immigrant British insurance salesman, Gen Walters was educated at Roman Catholic schools in France and England, where he attended Stoneyhurst College, before dropping out for financial reasons when he was 16.

Gen Walters's exploits have taken him to Latin America and the Pacific with President Truman, to Nato with the then General Dwight Eisenhower, with whom he subsequently worked frequently as president and with then vice-president Richard Nixon on his turbulent 1958 tour of Latin America. When Mr Nixon was jostled and spat on by a mob in Venezuela, Gen Walters is reported to have translated his chief's epithets into Spanish and hurled them out of the window.

Appointed by then President Nixon as Deputy Director of the Central Intelligence Agency in 1971, he was slew to perceive the full depth of the White House's involvement in Watergate. Requested by Mr Nixon's chief of staff, Mr Bob Haldeman, to ask the FBI to rein in its enquiries, Gen Walters wrote later: "It simply did not occur to me that the Chief of Staff to the President might be asking me to do something that was illegal or wrong."

But he emerged unscathed from Watergate—thanks to his insistence on keeping the CIA out of the affair, backed by threats to resign.

His work as a special envoy, which included undercover meetings with the Chinese and Vietnames during the Kissinger Vietnam peace negotiations, has been even more intense under Mr Reagan. Early in the Reagan years, he paid a secret visit to Fidel Castro, the Cuban leader, and went to South America to warn governments there of the Soviet threat to Central America.

Last year, he was sent to El Salvador to deliver a stern warning to Major Roberto d'Aubuisson, the right-wing leader, after rumours that his supporters were plotting to murder Mr Thomas Pickering, the U.S. ambassador. But he has largely kept himself to himself—and it is a fair bet that there are a number of other silent missions that have passed unnoticed by the general public.

But he contests the description "secret missions." "I just haven't sought publicity," he says. "Sometimes that's frustrating because I'm not a modest man." Assuming that the Senate confirms him in his new post, he will now have the chance to make up for that.

Strike shakes Dominican Republic

BY ROBERT GRAHAM IN SANTO DOMINGO

PRESIDENT Salvador Jorge Blanco of the Dominican Republic was only just spared the indignity of a general strike while hosting a meeting here last week of foreign and finance ministers from Latin America's debtor nations. Yesterday the general strike, called in protest over a series of sharp price increases, began.

Popular protest has been mounting since January 23 when a new series of austerity measures were announced by his Centrist Government.

Everywhere in the capital, and in the larger cities of the island, police patrols have been stepped up, the army sent to guard strategic installations against sabotage and security forces have been patrolling with riot grenades — creating an atmosphere of nervousness in this normally relaxed Caribbean island.

This popular protest and the difficulties of the Government graphically illustrates the problems of a small debtor country trying to face up to international recession and meet its financial obligations. The Dominican Republic has total foreign debts of $2.6bn — small by the standards of its colleagues attending last week's meeting of the "Cartagena Group." But although smaller in scale, the problems are similar to those of a number of its neighbours especially Jamaica.

The Dominican Republic with its six million population is the biggest reprentative domocracy among the small states of the Caribbean. Its fate is closely monitored by the U.S., for the island shared with Haiti sites astride strategic shipping lanes, and, though Spanish speaking, events here have traditionally sent ripples through the rest of the Caribbean. This year is also the 20th anniversary of the U.S. intervention on the island.

It was very much with the Dominican Republic in mind that President Reagan launched his Caribbean Basin Initiative (easing trade restrictions and encouraging investment between the U.S. and Caribbean countries)

Indeed, such has been U.S. concern for the Dominican Republic that Washington's views on the need to impose IMF orthodoxy to adjust the economy and the need to preserve the status quo here, have produced some interesting results.

The U.S. for instance put pressure on the Government of President Jorge Blanco when it took office in 1982 to accept IMF austerity measures. Yet when popular protests began to emerge the Fund was encouraged to be flexible and patient. Then when serious rioting erupted last April after food price increases, the U.S. Administration immediately chipped in with an extra $50m in grant aid.

The U.S. provides $16m annually in economic assistance to the country.

The Dominican Republic's economic problems stem from its dependence on imported energy and over-reliance on sugar for export earnings. The 1979 price increases put the country's oil import bill up to $470m—a third of total imports. Meanwhile the collapse of sugar prices in 1982, sharply cut export earnings and pushed the trade deficit up to $500m.

President Jorge Blanco, strongly backed by U.S.

President Jorge Blanco came to office pledged to cut imports, boost exports through diversification, attract new investment, raise taxes and hold back on public spending. In 1983 agreement was reached with the IMF on an Extended Fund Facility of $400m. The counterpart for this assistance was a tough adjustment programme that included reorganisation of the foreign exchange system, holding down public expenditure, and raising some essential prices. This programme has only been partially successful.

In terms of raising export earnings, only limited diversification has occurred but a big effort has been made to attract new foreign investment with liberalised laws,

Tourism itself has boomed, with current receipts worth $320m. However, the collapse in the sugar price led to the biggest divestment operation the Republic has seen, when last December Gulf and Western sold out its extensive sugar, hotel and resort development interests for a reported $200m to a Florida-based Cuban family, the Van Hools.

The administration itself has moved slowly and inefficiently. For a period of over four months last year the Central Bank was near paralysis as a result of key resignations. It has proved difficult to hold down Government current costs and the budget deficit has stayed around 4 per cent of GDP. Inflation has risen from a low of 7 per cent in 1982 to around 30 per cent as a result of devaluations.

The agreement with the IMF broke down and has only been partially implemented. As a result of the April riots the Government has been obliged to move with extreme caution. However, there is fat in the system, borne out by a thriving "informal economy." Some 300,000 Dominicans living in the U.S. are believed to remit around $600m a year almost all of which goes into the informal economy. The Government discovered that despite petrol price increases last year consumption was still rising steadily. It was largely because of this unrecorded economic activity that the Government felt in January it could once again attempt to impose austerity measures.

The President was careful this time to put out a strong "disuasive" security presence immediately the measures were announced.

A committee of loosely organised political groups of the left have been behind the recent series of protests. The Government claims there is a great deal of intimidation, but politicians like the former President Prof Juan Bosch claim there is a good deal of spontaneity and the protests include for the first time people from among the middle classes.

Yesterday's general strikers are demanding among other things that the Government break off negotiations with the IMF, that the recent price increases especially regarding transport, are rescinded, that salaries rise in line with inflation, and a more thorough programme of land distribution be carried out.

The Government is hoping that the protest will die down and it can sit it out using the strong arm of the security system.

However if the unrest continues it is bound to have negative effects on vital tourist earnings. Americans and Canadians are the main visitors and are easily frightened away. Also the main investors now are from the U.S. and Canada, looking at opportunity in the context of the Caribbean Basin Initiative.

But in the present circumstances it is hard to see how the Dominician Republic can obtain an early agreement with the IMF and proceed with its long pending negotiations to reschedule some $750m of public and private debt.

WORLD TRADE NEWS

Gandhi's licensing policies are attracting car manufacturers, **John Elliott** reports

BL to put Rover 2000 to Indian test

THE LONG sleek lines of Britain's Rover 2000 car will be launched on to the roads of India this summer, marking a bid by BL to maintain a toehold in the Indian motor industry which has become almost totally dominated by Japanese companies in the past three years.

BL's Land Rover might be produced in India later. Indian companies are also talking about possible joint manufacturing ventures to Mercedes, Peugeot, Volkswagen and other European companies in the wake of a series of deals involving almost every Japanese automotive manufacturer.

The Rover 2000 is being produced by Standard Motor of Madras, an Indian company, in a £14m deal with BL. An imported model is drawing crowds at an engineering trade fair in New Delhi this week, and production will start in July, with 68 per cent of the car manufactured in India.

Most motor car manufacturers are reviewing their expansion plans following major relaxations of the Government's industrial licensing policy. The Government is allowing companies to react faster and more flexibly to market pressures.

"We have created a situation in which the ultimate success of this industry depends on the companies' performance, not on Government controls," says Mr D. V. Kapor, Secretary of Heavy Industry.

The main concessions allow any manufacturer of a four-wheeled vehicle to produce any other four wheeler without having to obtain Government permission. A similar concession has been introduced for two-wheelers and tractors.

These are among the first major moves on industrial policy made since the new government of Mr Rajiv Gandhi came to power.

Similar "broad banding" of industrial licensing has also been introduced for machine-tools, various forms of chemical machinery and for paper and pulp.

Manufacturers can now vary their product, mix more freely and can also introduce more models, within their total licensed capacity, provided they have the necessary technical know-how.

But they will still need Government approval to import technology and components and this will put a brake on a rush of expensive foreign exchange deals with overseas motor manufacturers.

As in other industries, the Government's aim is to use foreign technology to hasten self-reliance. So it insists an indiginisation of production within about five years and will not allow heavy long-term use of foreign exchange on imports of completely knocked down CKD vehicles or components.

"Use of foreign exchange to upgrade designs and technical know-how with better products and more fuel-efficient vehicles is in the interest of India, but just the purchase of CKD kits for assembly operations is not'," says Mr Kapur.

Some critics say that too many licences have already been issued for tie-ups with the Japanese for India's limited market and that the companies involved—and their component suppliers—will not achieve sufficient scales of production to meet international standards.

Four Japanese companies—Honda, Yamaha, Suzuki, and Kawasaki — are forming two-wheeler joint ventures, in a sector where there are already other European and Indian designs. The capacity licensed by the Government totals 3m units a year. Only 1m are being produced now. This is expected to rise to about 2m by 1990, so the Government is unlikely to issue any more licences.

A total of 400,000 four-wheelers have been licensed of which 200,000 are for cars, 140,000 for commercial vehicles (including Mazda, Toyota, Mitsubishi and Nissan from Japan), and 30,000 for Jeeps.

For 30 years the car market has been dominated by two family-sized models: the Ambassador, based on the old Morris Oxford and produced in Calcutta by Hindustan Motors, part of the Birla family of companies, and Padmini, based on the old Fiat 1100 and produced in Bombay by Premier, part of the Walchandnagar group.

The first new mass-production car for 30 years entered the market last year when Maruti, a Government-owned company, launched a Suzuki 800 cc model, now being produced at a rate of 4,000 units a month and is 25 per cent indigenous. The Rover is only the second new model, apart from a fibre-glass bodied saloon made in small numbers in Bangalore under licence from Reliant of the UK.

The Ambassador has been updated with an old Vauxhall Victor body from the UK and will have an Isuzu engine from Japan next year. The Padmini is to be similarly revamped with a Fiat 124 body and Nissan engine.

Both companies then want to produce completely new Japanese cars of 1300 cc and 1600-2000 cc with Isuzu and Nissan, so abandoning their old European links and sealing the Japanese dominance for the time being at least on the mass production market.

Up to now, the two companies have been producing at very low volumes—Maruti-Suzuki's current monthly rate of 4,000 exceeds the highest achieved in the past by the two companies together.

Commercial vehicle companies considering using the new licensing policy to enter the car market include Mahindra and Mahindra of Bombay. The company is soon to produce a Peugeot light commercial vehicle and might utilise a Peugeot 2,200 engine it puts into Jeeps for the French company's 504 car. Both Bajaj Tempo and Telco of Pune are considering a possible deal with Mercedes, which owns a minority stake in both companies. But Telco has yet to decide whether to go for Mercedes or a smaller model.

Ashok Leyland of Madras, in which BL has a financial stake, is studying the four-wheel-drive general purpose vehicle market and might try to introduce the Land-Rover. DCM-Toyota of New Delhi, which is introducing a light commercial vehicle this year, is talking publicly about launching a Toyota car. Two engineering companies—Escorts and Modi of Delhi—have talked to Volkswagen.

But the first Rover—to be called the Standard—is being launched as India's first top of the market car. It will probably be priced at about £10,000 and is likely to take customers from the Hindustan Motors models and woo some Indians away from the current badge of wealth and importance—an imported Mercedes.

Biscuit factory may follow India Wimpy Bar

By John Elliott in New Delhi

United Biscuits of the UK is considering starting manufacturing biscuits in India if its first venture in the country—a Wimpy Bar in New Delhi—proves successful.

The Wimpy Bar opened last week in New Delhi's fashionable Connaught Circus Shopping centre serving hamburgers made of lamb — Hindus do not eat beef — and Wimpy's first vegetarian burgers.

It has so far exceeded its management's expectations by attracting about 1,000 customers a day in a 68-seat restaurant.

Franchised by two Indians from United Biscuits' Wimpy subsidiary, it is India's first foreign fast food restaurant and demonstrates growing international interest in India's rapidly growing consumer market.

There are no major foreign-owned biscuit manufacturers in India and United Biscuits could therefore have a ready market if it decided to try to set up a joint venture.

The initial investment in the Wimpy project hotel totals $4m (£3.6m) including setting up the first restaurant and building a specially designed factory just outside Delhi.

Further restaurants in Dlhi and then in Bombay are planned with a chain of 50 individually franchised restaurants being a possibility

"The market is enormous and there is no competition in sight" Mr Richard Clements, a senior Wimpy executive said, pleased to have found a country ignored so far by his main rival, MacDonalds.

Wimpy has small operations in Singapore and Japan but was attracted to India by legislation introduced in the past two years which provides concessions for Indians living abroad to invest in India, expatriate some of their profits, and import machinery.

The major Indian partner is Mr Avtar Selhi, an Indian engineer who is based in London.

His partner is Mr Sidharth Bhandari, aged 23, whose diplomat father, Mr Romesh Bhandari, became India's foreign secretary at the beginning of last week.

UK exporters angry over ECGD credit restrictions for Brazil

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRITISH exporters' efforts to take advantage of the reviving Brazilian economy are being hampered by severe restrictions imposed, in practice, on the utilisation of recently restored, medium-term credit guaranteed by the Export Credits Guarantee Department.

Complaints are growing among major British manufacturing companies that the low "country limit" for Brazil and a narrow definition of the credit line's potential use are giving unfair advantages to their competitors, particularly from France and the U.S.

After a two-year suspension, imposed after the outbreak of the Latin American debt crisis in late 1982, medium-term cover was restored for Brazil and Mexico last December.

In a parliamentary statement at the time, Mr Paul Channon, Minister of Trade, said the resumption of official cover should assist UK exporters to maintain a stake in countries recovering from debt service difficulties. It should also provide "an incentive to the debtor countries to adopt vigorous adjustment policies," he added.

What leaves British exporters particularly frustrated is the interpretation being put by Whitehall on the Trade Minister's assertion that the new credit would be used to support export "contributing to the economic recovery programme rather than to promote new prestige projects."

Requests for cover for equipment being sold to the defence sector — the most promising growth area in Brazil — are either being denied or held up in London, with no explanation. Aircraft sales also appear to be "a grey area" as far as the ECGD is concerned.

One factor behind the highly selective approach being adopted by the ECGD is undoubtedly the low credit ceiling available for Brazil. This is realiably said to be only £50m, compared with the $1.5bn (£1.35bn) provided by the U.S. Eximbank.

Partly as a result of this low ceiling, a queue of potential exporters has developed, mostly in the capital goods sector needing eight- to 10-year finance.

Medium-term cover previously proivided in support of British contracts in Brazil awarded prior to the debt crisis is also still available.

But the squeeze on all state spending, likely to continue here for the foreseeable future, means that these credits are unlikely ever to be fully utilised.

In an import market which has narrowed dramatically over the past 2½ years, opportunities for Western companies have become much more litmited. Where they exist, in sectors such as agriculture, minerals, energy and defence, competition is predictably fierce.

Weir group sets up China base

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

WEIR ENGINEERING Services of Glasgow is to be the first UK company of its kind to set up an offshore oil repair and maintenance base in China.

The company last week announced its agreement to form a joint project with Chinese partners.

The new company, to be called Nan Yan Weir Engineer Services, will be located in the Shekou industrial zone of Shenzen in Guandong province about 20 miles west of Hong Kong.

The Chinese partners sharing the 50 per cent share in the company are the Gangzhou Marine Geological Exploration, Energy Machines and Tools Technology, and Dong Jin Resources Exploitation.

The engineering base will look after offshore drilling equipment being used in exploration in the South China Sea.

The Weir group, which has strongly developed its offshore capabilities alongside its more traditional pumps division, has offshore engineering services in the Middle East and North Sea.

● A consultants report on international oil markets published last week said that the Chinese offshore sector was poised for a dramatic expansion and could be the biggest boom since the North Sea.

The comment was part of a review published by Atkins Planning as a study of opportunities for Scottish offshore technology companies commissioned by the Scottish Development Agency.

It noted that 33 foreign oil companies in 13 bidding groups have been seeking exploration agreements from the Chinese

The strong emphasis by the Chinese on joint ventures led to the conclusion that the major opportunities for Western companies to supply goods and services would exist for a relatively short period.

Judging by the rapid pace of exploration work, the report said, offshore production areas could come to stream by 1987-1988. The size and output of these fields could only be the subject of speculation, it said.

"Optimistic forecasts would suggest that capacity in excess of 100,000 barrels per day might be installed annually from around 1988 onwards, possibly with early production systems employed before this time, but there is little justification for any production forecasts," Atkins Planning said.

Tunisia wins contract for fertiliser complex in China

BY FRANCIS GHILES, RECENTLY IN TUNIS

THE TUNISIAN state phosphoric acid and fertiliser company Siape has been awarded a $50m (£45m) contract to build a fertiliser complex in the Chinese province of Hebei, at Kin Huang Dao, by China's CNCCC, Chinese National Chemical Construction Corporation.

The complex will be able to produce 480,000 tons a year of Diamonium Phosphate (DAP) or 600,000 tons of Nitrogen Potassium Phosphate (NPIC) when completed.

Siape will provide the phosphoric acid while the amonia will come from China. The capital of the project is split between Tunisia, China and Kuwait's Petrochemical Industrial Corporation (PIC). Tunisia will receive cotton and wheat from China in exchange for the phosphoric acid.

Tunisia and Kuwait are also discussing with Turkey the possibility of building a new $200m plant which would produce Ammonium Nitrate Fertiliser. Siape is also hoping to win a contract to revamp another Turkish fertiliser plant at Iskenderun.

The projects will greatly help Tunisian exports of phosphoric acid and further consolidate the links, going back more than a decade between Kuwait.

● Dragados y Constructiones of Spain and the Dutch company Royal Boskalis Westminster have been awarded a $46m contract to build a commercial port at Zarziz which lies close to Tunisia's frontier with Libya.

Brazil begins year with lower trade surplus

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL made a disappointing start to its 1985 goal of a $12bn visible trade surplus. Exports were sharply down on recent monthly levels and a 15 per cent rise in non-oil imports contributed to a January surplus of only $570m – half recent levels.

Although January is traditionally a weak month for Brazilian exports, the worrying feature of last month's performance – from the point of view of the Government and foreign bank creditors – is that it is the third month in a row that the all-important trade surplus has declined.

Poor trade figures are also expected in February, because of the annual carnival holiday break and because of uncertainty among exporters over the incoming government's trade and foreign exchange policies.

Last month exports were $1.64bn, fractionally down on the same month in 1984. Imports of crude oil declined by 22 per cent compared with last January helping to keep the overall import figure down to $1.07bn.

Hawke faces wave of criticism on return home

By Michael Thompson-Noel in Sydney

AUSTRALIA'S PRIME Minister, Mr Bob Hawke, returned home last night to face his toughest political test since gaining power two years ago.

Last week in Washington Mr Hawke told U.S. officials that Australia would not—after all—play a supporting role in the U.S. MX missile tests in the South Pacific, even though Australia stood by the Anzus defence pact, between the U.S., Australia and New Zealand.

News of Australia's planned participation in the MX tests generated a storm of protest on the Left of Mr Hawke's ruling Labor Party, which was then replaced by opposition protests when Mr Hawke suddenly reversed his position.

Mr Hawke will have to act decisively to dampen Labor unrest, and answer criticism that he is formulating foreign policy on the run.

The MX episode has damaged Mr Hawke's authority and led to renewed charges that he is courting serious trouble by trampling on the anti-nuclear sensitivities of the Left.

At a Cabinet meeting in Canberra today Mr Hawke is expected to supply full details of his MX U-turn and plead for party solidarity.

● Mr Paul Keating, Australia's Treasurer (finance minister), said yesterday that Australia's economy was enjoying a more pronounced upswing than at any time in the 1970s.

Real growth this year would be at least 4 per cent and private capital investment was rising sharply while inflation would be held to around 5 per cent.

Dikko kidnap 'almost succeeded'

AN "outrageous attempt" to kidnap exiled Nigerian politician Mr Umaru Dikko in London and fly him to Lagos in a wooden crate almost succeeded, the Old Bailey was told today, Agencies report.

The plot to kidnap Mr Umaru Dikko, a former Nigerian Transport Minister, was foiled only by the "remarkably prompt action" of the anti-terrorist squad and the determination of a Stansted Airport customs officer, said Mr Roy Amlot, prosecuting.

Asean urges military aid for Kampuchean resistance

BY CHRIS SHERWELL, SOUTH-EAST ASIA CORRESPONDENT, IN BANGKOK

THE SIX governments of the Association of South East Asian Nations (Asean), in a clear shift of public stance, yesterday appealed to foreign countries for military aid to help Khmer resistance forces fight Communist Vietnamese troops occupying Kampuchea.

The appeal came during a special two-day meeting in Bangkok of foreign ministers of the six — Thailand, Malaysia, Singapore, Indonesia, the Philippines and Brunei — and was part of a toughly-worded statement on recent Kampuchean developments.

The ministers later held a separate meeting with the leaders of the tripartite resistance coalition, which groups former Kampuchean ruler, Prince Norodom Sihanouk; Sonn Sann of the Khmer People's National Liberation Front (KPNLF); and Khieu Samphan of the Peking-backed Khmer Rouge.

The meetings coincide with Vietnam's fiercest dry-season offensive against resistance forces since its invasion six years ago ousted the Khmer Rouge from power in Phnom Penh. Over the past three months, thousands of Kampuchean civilians have fled from border encampments into Thailand and Thai soldiers have clashed directly with Vietnamese troops.

The Asean statement, apart from condemning Vietnamese incursions into Thailand, deplored Hanoi's attacks. It said Vietnam was seeking a military solution in Kampuchea, despite both its professed preference for talks and efforts by the superpowers generally to reduce international tensions.

The six also urged Vietnam to talk directly to the coalition, and reiterated their 1983 call for a withdrawal of Vietnam's estimated 170,000 troops from Kampuchea, followed by internationally supervised elections.

Sonn Sann, KPNLF leader

But the statement's last paragraph was the most significant. It reaffirmed Asean's "strong support" for the coalition and went on: "The Foreign Ministers call upon the international community to increase support and assistance to the Kampuchean people in their political and military struggle to liberate their homeland from foreign occupation."

Asked afterwards if this meant Asean was soliciting direct military aid from foreign countries, Air Marshal Siddhi Savetsila, the Thai Foreign Minister, said emphatically: "Yes." The resistance forces could not fight with their bare hands, he said, while Moscow sent tanks and weapons to Vietnam.

This is the first time Asean has collectively "gone public" with this view, although in substance its position is unchanged because the resistance has long received military supplies — from China in the case of the Khmer Rouge, and mostly from certain Asean countries in the case of the two non-Communist groups.

Asean hopes the appeal will encourage other countries at least to supply non-lethal military aid, food and money to the two groups it backs. Asean's view has long been that there cannot be a political resolution of the Kampuchean problem without increased military pressure on the ground.

Though portrayed as a logical escalation which signals a hardening of position to Hanoi, Asean's appeal comes at a delicate moment.

Last month, the Vietnamese finished wiping out most of the KPNLF's camps on the Thai border, and now Khmer Rouge strongholds further south are coming under military pressure.

Khmer Rouge forces, numbering more than 30,000, are nevertheless reported to have launched successful raids in the interior to cut vulnerable Vietnamese supply lines. At the same time, the KPNLF, the larger of the two non-Communist groups, is planning its own campaign of guerrilla warfare, which Asean hopes, will change the character of the non-Communist resistance.

Ministers, meanwhile, say there has been no Soviet response yet to their joint demarche to Moscow last week, when for the first time Soviet ambassadors were simultaneously called in to hear Asean complaints about recent Vietnamese actions.

The move was part of the general effort to maintain pressure on Hanoi, but ministers cautioned that their strategy will take years to bear fruit.

South-East Asia's oil and gas sector set for strong growth

SOUTH-EAST Asia's petroleum industry can expect heightened investment and a further strengthening of its competitive position over the next few years, according to a major study about to be released by Petroconsultants of Geneva, Chris Sherwell reports

The 980-page study* deals with oil and gas exploration, production, refining, marketing and services for the Association of South East Asian Nations (Asean), which groups Indonesia, Malaysia, Brunei, Thailand, Singapore and the Philippines. All six countries are heavily involved in the industry.

One of the report's significant estimates concerns natural gas. Asean's remaining recoverable reserves are put at 120 trillion (million million) cu ft, the vast bulk (84 per cent) in Malaysia and Indonesia. By 1992 the region is forecast to produce the gas equivalent of 1.58m barrels of oil a day, up 40 per cent from present levels and almost half of all Far East production.

LNG exports are projected to reach 4.08bn cu ft a day by 1990, with South Korea and Taiwan joining as customers in what is currently a "Japan-driven" market. Asean is thus expected to keep its premier position in the LNG market in the 1980s,

On oil, the study says Asean has one-third (11.8bn barrels) of the Far East's remaining recoverable reserves of crude and condensate. Almost half is offshore, and future offshore services in the Far East will therefore concentrate in South-East Asia.

The study says six of Asean's 51 basins have "high" potential, while another ten are "moderate." There are nine known "giant fields," mostly under U.S. corporate ventures.

Asean petroleum production in 1992 is projected at around 2.34m barrels a day, 10 per cent higher than at present. Asean will also have more than 290 exploration wells (58 per cent of the Far East, including China) and 465 offshore development wells (70 per cent of the Far East).

In 1990, Asean is expected to take about one-third (US$9bn-US$10bn) of the total US$28bn which is expected to be invested in exploration and development in the Far East, including China and Australia.

The study says Japan's oil policy in the region will continue to be critically important, while the U.S. is likely to go on dominating exploration activity.

Corporate oil strategies and country risks: Asean in the 1980s, Petroconsultants Geneva (8-10 Rue Muzy, 1211 Geneva 6, Switzerland; SwFr 14,000).

S. Korean election produces an outbreak of free speech

By Steven B. Butler in Seoul

SOUTH KOREAN voters will go to the polls today to elect a new National Assembly. A substantial majority are expected to vote for opposition candidates, as they did in the last election in 1981. Because of the election law, however, it is virtually a foregone conclusion that the ruling Democratic Justice Party will retain its majority of seats in the Assembly.

But despite the lack of any real opportunity to overturn the government, the campaign has provoked intense excitement in South Korea, and some are calling it a political watershed.

"I have never seen an election in Korea as wide open, where the controversy is so clear, the criticism as intense," says a diplomat with long experience in the country. "The emotions of the people exploded like a bomb," says an opposition candidate.

Up and down the nation, millions of South Koreans have attended emotionally-charged open-air election rallies where all candidates fro ma single district address the crowd one after another. And from the opposition parties — especially the New Korea Democratic Party (NKDP)—for the first time in years they have heard sharp and unrestrained attacks on the Government.

Last Wednesday, president of the NKDP, Mr Yi Min-U made an emotional plea for an end to military rule in South Korea before a crowd of 100,000 people in downtown Seoul. A fair number of candidates are openly questioning the legitimacy of the Government, and they are, for the first time, publicly talking about the Kwangju uprising of May 1980, in which at least several hundred people died.

"People are sending a strong message to the army to get the hell out of politics," says a diplomat.

The campaign is also a testament to the enduring popularity of Mr Kim Dae-Jung, South Korea's leading opposition politician, who returned to Korea last Friday from two years of exile in the U.S. Opposition candidates throughout the country have appealed to voters by pointedly identifying themselves with Mr Kim.

The scuffle at Seoul airport after Mr Kim stepped off the aircraft has provoked a row between the South Korean and U.S. governments, but it may have little impact domestically. Mr Kim says he does not want to make an issue out of the incident, and news of the affair has so far been kept out of the South Korean Press.

The Government has tolerated this outburst of free speech, although newspapers and especially the Government-run television network has kept much of it out of the news.

A South Korean political scientist says the outpouring of criticism has "broken a taboo." He expects people to continue speaking about controversial issues more openly after the election, even if they do not have the large audiences provided by the joint rallies.

Mr Kim Dae-Jung says he finds the openness of the campaign "very hopeful." Yet it is unclear how Mr Kim will fit into all of this, despite his towering reputation.

Citibank unlikely to see cut in S. African business

BY JIM JONES IN JOHANNESBURG

CITIBANK, the world's largest banking group's decision to terminate all business with the South African Government is unlikely to lead to a reduction of the bank's South African business, particularly as Citibank is actively expanding its private sector business.

The decision to cease business with the South African Government followed legislation in New York preventing the city from doing business with banks which deal in krugerrands or which make loans to the South African Government or state bodies.

Mr Tim Wood, Citibank's managing director in Johannesburg, says that Citibank has made no loans to the South African public sector since 1980 when it participated in a consortium to provide finance for black housing, school programmes and hospital services. Mr Wood adds that Citibank had few if any dealings with South African Government agencies as this market was largely held by German and Swiss banks.

At present Citibank has about 250 corporate clients in South Africa. Until recently the bank's principal focus was the lending of dollars. However, strategy over the past two years has been to develop full service banking facilities

Chase Manhattan, the other major New York bank with a representative office in Johannesburg, does not deal with the South African public sector.

Minister hints at tough budget

By Our Johannesburg Correspondent

THE South African Government will spare no effort in implementing the fiscal controls necessary to deal with the country's economic and financial problems. Mr Barend du Plessis, the Finance Minister, said in Cape Town yesterday.

Introducing his Part Appropriation Bill, popularly known as the mini-budget, which is the prelude to the main national budget due to be presented on March 18, Mr du Plessis reiterated Government's guidelines for sound fiscal policy and at the same time indicated that this year's budget will be tough.

Government's basic targets are, he said:

● No increase in real Government spending in fiscal 1985-86 above the R27.2bn (£13bn) estimated for 1984-85;

● Eliminating the use of loan finance for current account expenditure, which will reverse the practice of the past two years;

● and limiting the deficit before borrowing to about 3 per cent of gross domestic product.

Mr du Plessis told Parliament that the mini-budget should not be seen as indicating the direction to be taken in the main budget.

● A demonstration by about 3,000 black schoolchildren in the black township of Seisoville near the Orange Free State town of Kroonstad was dispersed yesterday morning by armed police.

Shell offshoot finds oil in Syria

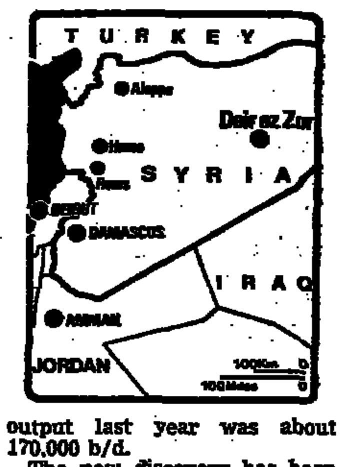
BY MICHAEL FIELD

AN IMPORTANT oil discovery has been made recently near the town of Deir es Zor in eastern Syria by the Pecten International Company, a subsidiary of Shell Oil of the U.S.

The find, which has been the subject of rumours in Damascus for some time, has now been confirmed unofficially by the Syrian Government.

On the evidence of three successful wells drilled so far it is thought that the field may eventually be able to produce 100,000-150,000 barrels a day of light, high quality crude. It is reported that work is beginning on linking the field to the unused oil pipeline which runs from Iraq past Deir es Zor to the Mediterranean coast.

The field is by far the most useful discovery made in Syria in some 30 years of exploration. Three small fields in the east of the country were brought on stream in the later 1960s, but their oil is low quality and expensive to produce. Their total output last year was about 170,000 b/d.



The new discovery has been made in an area where there has been considerable exploration recently. Pecten made its find by drilling deeper on acreage relinquished by a Syrian-American subsidiary of the Coastal States Gas Corporation.

There has been speculation that the find will radically change Syria's economic and political stance.

At present the country exports almost all of its production and imports a similar amount of crude at a concessionary price from Iran to refine for domestic consumption.

Whether the oil from the new find will be sold abroad or used for domestic consumption, it will make Syria a significant net exporter of oil for the first time. Oil revenues of possibly $1.2bn would be equivalent to more than 10 per cent of the 1984 budget and two thirds of exports.

Syria's political stance on the Gulf war is unlikely to change even if it ceases importing Iranian oil. The country's support for Iran has been determined les by Iranian aid than by President Assad's hatred of the Iraqi regime, which in the 1970s tried to subvert his Government.

Israeli jets attack Palestinian base

ISRAELI warplanes attacked Palestinian guerrilla base in eastern Lebanon yesterday for the second day running. The intensified air raids come in the wake of the sharp escalation in attacks against the Israeli forces in Lebanon, David Lennon reports from Tel Aviv.

In the last ten days, the number of guerrilla attacks on Israeli troops in Lebanon totalled an unprecedented 51. Four soldiers were killed, and 18 were wounded in the clashes.

The target of yesterday's air raid was a training and command base near Shtoura, in the Beka'a Valley, used by the followers of Abu Moussa, who rejects Mr Yassir Arafat's leadership of Fatah. The base was located inside the area of Lebanon controlled by the Syrian forces.

The army spokesman in Tel Aviv said that some huts and tents were destroyed, as well as Soviet-made anti-aircraft batteries.

The previous day, Israeli planes bombed a base in the same area, near the Beirut-Damascus highway belonging to the Democratic Front for the Liberation of Palestine.

DEPRECIATION OF CURRENCY

IMF blames Lebanese Government's deficit

BY RICHARD JOHNS IN BEIRUT

RESPONSIBILITY FOR the depreciation of the Lebanese pound is blamed on the Government's increasing budget deficit as a result of the worsening security situation in a recent confidential report by the International Monetary Fund.

The IMF estimated that government spending amounted to 333 per cent of revenue last year—meaning that the state's actual income only covered 30 per cent of expenditure.

The IMF staff report dated January 4 this year calculates that the Government's interest payments on domestically held debt absorbed 51 per cent of total revenue last year compared with only 6 per cent in 1979.

Based on consultations held with senior Lebanese officials early in November in Cyprus the gloomy document says the mission "emphasised that the depreciation of the pound was fundamentally linked to the destabilising impact of the large fiscal deficits brought on by the deteriorating security conditions."

When the talks took place the exchange rate was about L£7.5 to the dollar. At the close of trading last Friday it settled at a buyer-seller range of 14-14.50 having at one point reached 14.90-15.50.

The tendency here has been to blame the rapid depreciation on speculation. Mr Rashid Karami, Prime Minister, has even hinted darkly of a "conspiracy."

The IMF mission report says that "the mission expressed serious concern about the size of the fiscal deficit, and especially about increased reliance on central bank borrowing to finance it—which has been a major cause of mounting inflation now reckoned by observers here to be running at an annual rate of 50 per cent or more.

Figures for 1984 released by the Bank of Lebanon, the central bank, showed that Government borrowing from it increased last year by L£6.01bn to L£19.13bn and outstanding Treasury bills to commercial banks rose by L£3.27bn to L£11.32bn at mounting rates of interest of more than 18 per cent now for paper of 12 months maturity.

Saying that "efforts must be made to prevent any further deterioration," the IMF team referred to the "perilously low" level of the country's foreign exchange reserves citing the end-November figure of $725m which, it said, was enough for two-and-a-half months' imports.

At that rate they should now be more or less exhausted but are believed to still be about $300m.

The IMF report is strongly critical of the way in which the central bank had been meeting the Government's rising import requirements (not the least from arms though it does not say as much) from its own reserves, rather than from the foreign exchange market. It is believed that corrective action on this front may have exacerbated the problem of the Lebanese pound as well as slowing down the rate of rundown of foreign exchange reserves.

On that score the IMF team asserted that the Lebanese authorities therefore had no alternative but to let the "exchange rate carry the bulk of the adjustment burden."

On the foreign exchange here at the weekend meanwhile, bewilderment and some resentment was caused when Societe Financiere, the country's only discount house, suddenly lowered its dollar quotation by 35 cents and closed prematurely for business. Owned by 33 of the commercial banks operating here, Societe Financiere is believed to have been handling 75-80 per cent of dealings here since the foreign exchange crisis blew up.

It was established initially to develop a secondary market in Treasury bills and only expanded its foreign exchange dealings as a result of the banks' "gentleman's agreement" to calm down speculation. The immediate reaction of some dealers to last week's strange move was to say that they would rely more on inter-bank dealings in future.

A tax privilege conundrum for the Chancellor

The Chancellor is reputed to be considering the extension of the tax base to include the (presently exempt) investment income of pension funds. LESLIE HANNAH reviews the strange sequence of accidents by which wider tax reliefs on pensions arose and surveys the present policy confusion. His conclusion is pessimistic: Nigel Lawson's opportunism may lead him to taxing the income of funds for immediate tax revenue at the cost of long-run pension policy objectives.

THE PRESENT, extremely favourable treatment of pension savings is widely recognised to be a prime target of Mr Nigel Lawson's pre-Budget search for a free lunch. The characteristics required in any change are simple: it must yield massive savings by closing up tax loopholes sufficient to finance a large reduction in the highly visible standard rate of income tax, yet also be as imperceptible as possible to the voters who are hurt by the withdrawal of the concession.

Life Assurance Premium Relief provided a highly successful dress rehearsal last year. This year much bigger fish are wriggling on the Chancellor's hook. The best occupational pension schemes receive contributions amounting to around 20 per cent of the income of the members of the scheme, and about half of all employees are members of pension schemes.

The reliefs on pension contributions are, of course, not special to pension funds: such expenses have always been allowable as *employer's* costs since the beginnings of the modern income tax; and not to allow similar relief on *employee* contributions would merely initiate a wholesale move to non-contributory schemes paid for entirely by the employer. The *quid pro quo* for the Inland Revenue, now, as in the beginning, is the taxation of the pensions as income at the time of receipt.

The pension funds' pressure group (now the National Association of Pension Funds) was, however, successful in 1921 in persuading backbenchers to press the Government to include in the Finance Act of that year an additional provision exempting the investment income of funds from income tax. This change had been recommended by the Royal Commission on Income Tax, and was not only uncontroversial, but (at the time it was introduced) relatively costless. (The annual cost, now running into billions, was originally estimated by the Inland Revenue at £0.25m!).

There were many arguments for the concession at that time, ranging from encouraging voluntary saving for old age, to overcoming the inflationary problems of wartime, but a clincher for the Inland Revenue was that most occupational pensions (then as common among the relatively poor as among well-paid professionals) went to those who did not pay income tax.

From 1940 onwards, the scale of the concession and the arguments for it changed beyond recognition. The widening of *the tax base to bring many* middle incomes (and, more recently, low incomes) into the income tax system through PAYE, and the rise in money rates of return with accelerating post-war inflation led the cost of tax reliefs on fund investment income to expand exponentially.

Governments nonetheless approved of the continuing spread of occupational schemes because they seemed to conform to broader social and economic objectives: pension funds encouraged thrift and investment, and promised to reduce the burden of the aged on the social escurity system. Employees pressed their employers to gain access to the subsidised old age savings they offered. In effect, by giving tax exemption for investment income and paying tax only when the pension was received, they postponed their tax bills to the period of retirement (when their income was typically lower), and hence reduced their average lifetime tax rates.

The precise tax-saving effects depended on a complex range of factors (including the inflation rate and earnings growth) but the incentive to save through the highly illiquid medium of a pension fund has almost certainly increased the overall savings rate. The absurd distortion between very similar forms of contractual savings implicit in the old life assurance premium relief (sensibly halved by Lloyd George in 1916 and ablished by Mr Lawson in 1984) were thus not paralleled in the case of pension funds. With pensions, not only are broader social objectives promoted, but total savings are more likely to be increased by tax concesions, with the mere diversion of savings from other media likely to be minimised.

It goes without saying that the broader approach to tax neutrality for savings—the expenditure tax advocated by the Meade Committee—would be far too radical to be tolerated within the present Government's narrow totemistic tax rate objectives.

Its main strategy is to reduce the highly visible standard rate of income tax to produce a triumphant election claim of lower tax rates (without, however, actually reducing the real level of taxation overall: that apparently remains a pious objective, not a feasible attainment). Within this context, taxing the income of pension funds at a composite rate of, say, 10 per cent is superficially attractive, enabling the Chancellor to reduce the standard rate of income tax by as much as 5p in the pound.

This would, however, result in a *higher rate of tax on pension funds than many of them were paying even before the tax concession of 1921* (when they received relief, under the time-honoured income tax rules of avoiding double taxation, on that part of their investment income which went to paying *taxable* pensions).

The consequences for pension funds may, then, be expected to be severe. Trustees would be faced with a choice of reducing benefits (pensioners ofter have no vested right to presently promised pensions) or of raising contributions from employers or employees. There is, in fact, no free lunch.

The Chancellor might hope that the damage would be long-term rather than immediate. Its impact will certainly be long-run. Money placed in pension funds in good faith over past decades will still be there, despite the reduction in the tax incentive which induced the investment; while funds will be paying the costs for pensions accruing many decades into the future.

However, actuaries typically make reports on the funds at least every three years, and the implications will therefore gradually but ineluctably be brought home to the half of the working population who are scheme members and voters. The pension industry can be relied upon to encourage truth in political sloganising, and the Chancellor might find a continuous chorus of protest, as pension fund contributions are increased (or benefits reduced) in the years following the change which will also include the crucial electioneering period (to which the possible reduction in income tax rates will also be directed).

Hugh Routledge

Mr Nigel Lawson: Will he fix his sights on long-run or short-run reform?

Another, by no means unreal, option for employers will be to leave pensioning for most employees to the State or to the individuals involved. Already government policy has done much to reduce the attractions of employer-based pensioning.

The major historical reason for employers undertaking the (on-the-face-of-it odd) task of organising their employees' old age saving is that the penalties of leaving a scheme encouraged loyalty and long service. In 1973, Sir Keith Joseph reduced these benefits by protecting the rights of those who withdrew after five years, while Mr Norman Fowler, Social Services Secretary, now proposes to require some index-linking of these vested rights. Both changes are admirable, but they have clearly reduced the value of schemes to employers.

Also, since 1978, the quality improvements necessary for contracting out of the state earnings - related pension scheme have substantially increased the cost of occupational savings. The tax reliefs remain as a major incentive for employers organising old age savings. (The reforms of 1956 and the further changes towards personalised pensions now proposed by the Government, will allow individuals to achieve more of any tax benefits themselves, even though they are unlikely, because of Treasury objections to the tax expenditures, to go as far as the similar reliefs for individuals in Gladstonian Britain or Reaganite America).

Yet can the Chancellor be sure that reducing the tax incentives will not mean the widespready abandonment of occupational schemes *without* private provision taking their place? The curtailment of schemes is not unlikely. There has already been no growth in the coverage of pension schemes for over two decades, during which time various pressures have reduced their value to employers. (Another alternative would be a reversion to pay-as-you-go or balance sheet provision rather than proper funding, and a consequent reduction in the security of pension rights).

Mrs Thatcher's Government may, paradoxically, achieve what Labour Party planners have dreamt of since Professor Richard Titmuss's plans of the 1950s: the euthanasia of private occupational schemes.

This is not to say that the pensions industry can view the process by which its privileged tax position was built up over the decades with a conscience any clearer than the Treasury's.

One concession stands out as illogical and indefensible: the tax-free nature of lump sums (up to one-and-a-half year's final salary) taken on retirement. These are now typically one quarter of the value of pension benefits. Yet they clearly breach the reasonable principle that pensions are taxed as they are paid rather than as they accrue.

The concession has entirely disreputable origins in the cupidity of civil servants pursuing their own selfish interests. In 1909, when Civil Service pension accrual rates were reduced from 60ths to 80ths to finance lump sum benefits for widows, these were also (quite unnecessarily) also paid on reaching retirement age. Civil servants at the Inland Revenue (themselves beneficiaries) ruled that the sums should be tax-free. When their successors in 1947 were looking around for reasonable standards by which to stop up loopholes in the tax system being exploited by private sector lump sum pensioning arrangements, they naturally saw their own abuse as reasonable, and it became a statutory standard in the Finance Act of that year.

There followed several decades of trying to restrict this manifestly unreasonable concession by limiting its explicit extension to private sector pension funds. Initially this was supported by private sector interests such as the Life Offices Association and the National Association of Pension Funds, which had no wish to gain concesions they considered undesirable and unsustainable.

Eventually, however, the pressure from individual funds to gain the valuable concession induced widespread use of loopholes and the Government wished to tidy up its administration. The present position was pusillanimously accepted by governments, and the lump sum concession was generally adopted by private sector funds in the early 1970s, following clarifying and simplifying legislation.

There is, of course, now a much less good case for withdrawing a concession which should never have been extended. Individuals and funds have adapted their pensioning arrangements to the signals given by the Government, and sudden withdrawal would frustrate their reasonable expectations.

Equity would, then, require a gradual, phased withdrawal of this fundamentally silly and unnecessary concession. Yet any phasing severely reduces the attraction to the Chancellor, by delaying the tax revenue he so badly needs for his political sleight-of-hand.

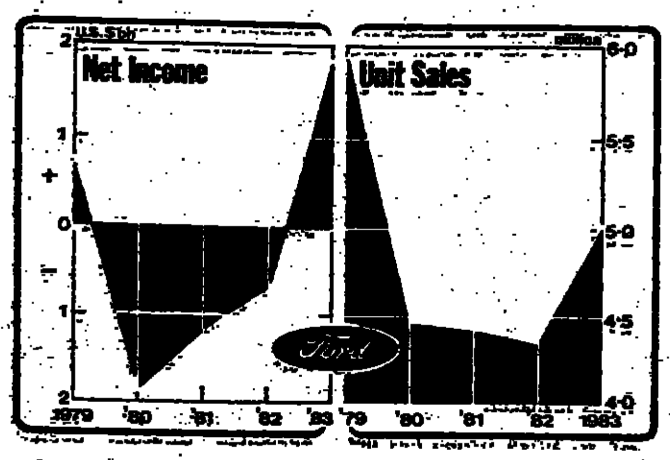
The prospects for rational reform of the lump sum loophole are then, no better than they were before when the issue was botched in 1947, 1956 and 1970. The Chancellor may, then, be faced with the anguished choice of doing nothing or doing damage, unless, of course, he wishes to fix his sights on long-run rather than short-run reform.

Leslie Hannah is Professor of Business History at the London School of Economics, currently on leave as visiting professor at the Harvard Business School. His analysis of the growth of pensions in Britain, Inventing Retirement, will be published by Cambridge University Press early next year.

U.S. MOTOR INDUSTRY

Ford recovery still leaves Petersen no time to rest on his laurels

By Kenneth Gooding, Motor Industry Correspondent



FORD last week threw the most lavish party in its corporate history. At the cost of about $1.5m it hired one of the sound-stages at MGM's Hollywood studios—where part of "Gone with the Wind" was filmed—and invited more than 1,080 guests to celebrate to the tune of "Happy Days are Here Again."

Ford pretended the occasion was the "roll out" (preview) of two important new car models, the Ford Taurus and Mercury Sable. But those cars will not be launched until October and nobody at the company's headquarters in Dearborn, Michigan, was in any doubt that the party was a spectacular way to say "thank you and well done!" to Philip Caldwell, who has just retired from the chairmanship of the world's second largest automotive group.

Mr Caldwell's achievements in the past five years have been somewhat overshadowed, firstly by the resurrection of Chrysler by Lee Iacocca and, more recently, by the dramatic and uncharacteristic changes being wrought at General Motors by chairman Roger Smith.

Yet, as Ford executives will tell you, Mr Caldwell has supervised the biggest turn-round in corporate history since he took the helm only five years ago.

In 1980 Ford chalked up what was then the biggest annual loss in U.S. corporate history: $1.5bn. (The record was to stand only a few weeks until Chrysler reported). Ford following with losses of $1.1bn for 1981 and $658m for 1982. It trimmed the dividend in 1980 and eliminated it completely in 1982.

Yet for 1983 the company produced a record $1.8bn net profit—which was topped by a considerable margin last year. Wall Street expects the group to report profits in the region of $2.9bn.

In 1979 Ford was an exceptionally strong company financially. There was $4.7bn of cash in the balance sheet and the company's net worth was $10.6bn. By 1982 the haemorrhage of losses had cut the cash pile to only $1.3bn and the net worth to $6bn. Since Ford bounced back, it has rebuilt cash to a $5bn mountain and the net worth to $7.5bn.

And in the U.S. car market Ford lost share almost as fast as it lost money. It fell from 23.6 per cent in 1978 to a low of 16.6 per cent in 1981. Last year the company clawed its way back to an 18.8 per cent share, a full 1.5 percentage points above the 1983 level.

While the statistics tell a great deal, they do not reveal the full story. There is still a great deal to be done by Donald Petersen, who succeeds Mr Caldwell as chairman.

"When you look at where Ford used to be and where it is today, it's pretty impressive. When you look at where Ford ought to be today, that's a different story," says James Womack, of the Massachusetts Institute of Technology.

There are questions to be answered about Ford's new cars and whether the North American customers will take wholeheartedly to their purposely aerodynamic shapes; about Ford's ability to cope with General Motors' aggressive and revolutionary approach to car manufacturing in the U.S. and about Ford's position in Europe, once the corporation's big money earner but now a loss-maker.

In the Far East Ford some time ago turned what seemed endemic losses into big profits by having its cars built in low-cost Japan—by its 25-per-cent owned associate Mazda—rather than high-cost Europe. In extremis the company is bound to remember that exercise and already is providing low-cost Escorts to the Scandinavian markets from Brazil.

Five years ago it was the North American operations which were giving Ford concern. In the mid-1970s the U.S. Government completely unsettled the motor industry with a welter of legislation covering fuel economy, environmental protection and safety. Cars were designed and produced to meet the regulations, not to please the customers.

The reputation of U.S.-built cars in general suffered when they were compared with the quality of the imports which came flooding in, particularly from Japan.

Ford suffered more than its major rival, General Motors. Henry Ford II had vetoed a programme to produce small cars with a dismissive "small cars mean small profits." (But he gave way to the weight of evidence which showed the company needed a small car in Europe and the Fiesta project was set in motion).

At the same time Henry Ford II experienced the first bouts of the heart trouble which has plagued him ever since and began to relax his firm grip on the company.

In the autumn of 1978 the redoubtable and flamboyant president of the company Lee Iacocca was fired by Henry Ford with the blunt, but inadequate explanation that "things just didn't work out."

Mr Iacocca has explained recently that Henry Ford felt that the president was threatening his (Ford's) power base within the company. Many observers at the time saw the dismissal as simply another personality clash. There were nearly enough ex-Ford presidents, fired by Henry Ford, to form a club: Ernest Breech in 1960, Arjay Millar in 1968 and "Bunkie" Knudsen in 1979 had all abruptly departed before Mr Iacocca.

But when Henry Ford named Mr Caldwell as his successor—the first chairman who was not a member of the family which founded the company in a Detroit waggon factory in 1903—it signalled that he thought the company needed someone with very broad, world-wide experience at the top to run the business in the 1980s.

Mr Caldwell is a model of the well-educated American businessman. He joined the Navy the day after Pearl Harbour, went on to gain his MBA at the Harvard Business School, joined Ford in 1953 and had a broad grounding in finance, products and marketing in the company's operations all round the world.

Mr Caldwell (left) and Mr Petersen.

Apart from all the other troubles, as soon as Mr Caldwell settled into the chairmanship in 1979, recession hit the U.S., and car sales tumbled: from 10.5m in 1979 to 8.9m the following year, to 8.5m in 1981 and only 8m at the bottom of the pit in 1982.

Mr Caldwell appointed Harold "Red" Poling as head of North American operations with instructions to cut costs to match expected demand.

Ford closed seven plants, dismissed 40,000 shopfloor workers and 20,000 salaried staff, taking out whole layers of middle management in the process. The company's annual running costs were reduced by $4.5bn or by $12m a day. The North American break-even point was lowered from 3.6m to 2.5m vehicles a year, or by 30 per cent.

Spending was trimmed but Ford continued to invest heavily in new products, $13bn world-wide between 1980 and 1984 and on research and development, $9bn in the same period.

In the autumn of 1980 Ford introduced its new, small, "world" car, the Escort and in 1983 launched the Tempo/Topaz into the medium sector, where it had been weakest of all.

Ford's recovery in North America was so impressive that rumours began to circulate last year that Mr Poling might succeed Mr Caldwell as chairman, "leapfrogging" the president, Mr Petersen.

In the event there has been a calm and orderly hand-over of power.

Mr Petersen is 58 and a bright (a Mensa member) engineer with an MBA from Stanford university who joined Ford in 1949. In public he has an affable easy manner which contrasts with Mr Caldwell's rather austere qualities.

Mr Petersen is a "hands-on" executive who has attempted to impart to other Ford people that cars can be exciting to drive. Mr Poling, on the other hand, is much more out of the Caldwell mould, with a background in finance.

There is no doubt that Ford has regained its financial balance. Dr John Hammond, of the DRI consultative group, points out: "In 1976 Ford produced 5.3m vehicles and made $1bn net. In 1983 it made 5m vehicles and made $1.8bn. During Caldwell's tenure costs were reduced so significantly that the company could withstand practically everything the sales cycle could throw at it."

Mr Petersen will have no time to rest on his laurels.

Nobody expects any significant changes in direction following the change in senior management and much of the strategy is in place. The problems in Europe are being attended to by Bob Lutz, who reports directly to the president, and was sent back last summer to take over again as chairman of Ford of Europe.

In North America, Ford has given up matching GM model for model and gone its own way with aerodynamic styling for the Tempo/Topaz which Europeans recognise instantly as being close to that of the Sierra.

However, just as Europe has not taken wholeheartedly to the Sierra, so many U.S. customers are wary of the new Ford styling. The Tempo/Topaz is by no means a failure but so far it has not been as successful as Ford hoped.

In the U.S. there are some doubts about Ford's ability to match GM on the manufacturing side of the business. GM has five new or completely revamped plants, using all the very latest technology. GM has teamed up with Toyota, Japan's largest car maker, for a joint project and to share mutual lessons.

GM has its highly-publicised Saturn project to produce a small car profitably in the States by using a revolutionary approach.

Ford has no new or completely revamped plants in the U.S. Yet it must get its productivity up and costs down even further.

According to DRI's Dr Hammond, the $2,000 difference in production cost of a small car between Japan and U.S. increases with the size of the vehicle: to $4,500 for medium-sized cars for example. He believes that if GM matches the cost of small Japanese cars with Saturn, the Japanese will simply move upmarket and GM will have sacrificed profitable medium cars for unprofitable small ones. Ford would not escape this change.

Ford's reluctance to speak up for itself on this issue might well be because it does not want to spell out its various options too clearly.

It certainly does not make good reading for the U.S. union, the UAW. Some observers are convinced that by the late 1980s Ford could be filling about 25 per cent of its car requirements in the U.S. from "offshore" subsidiaries.

Ford has been working on its global strategy for years with the aim of getting more efficient use from its design, engineering and other resources around the world and co-ordinating the efforts of its far-flung subsidiaries.

Bob Lutz dubs the approach "doing things only once." For example, in crude terms it seems that Ford will design and develop small cars in Europe and Japan, through its links with Mazda which are getting ever closer in the so-called Alpha project, similar to GM's Saturn. Big cars will be developed in the U.S.

Mr Petersen says that Ford's "world truck," built in Brazil with European panels, a North American chassis and a diesel engine developed by Ford's agricultural tractor organisation, could possibly point to the shape of things to come and illustrates the way the company can draw on the best from its resources anywhere in the world.

He has been carefully putting this strategy into place for several years. There is nothing to suggest that he does not intend to follow it through, now he has moved into the chairman's seat.

APPOINTMENTS

Unilever makes changes

Mr Guy Walker, at present chairman of Batchelors Foods, will move to Van den Berghs & Jurgens, to take over as chairman from **Mr Ian Grant** during April. Mr Grant has been appointed a member of UNILEVER'S overseas committee. Prior to joining Batchelors Foods almost three years ago, Mr Walker was marketing member of Unilever's food and drinks co-ordination.

★

Mr Roland Staeheli has been appointed head of the new representative office in London of the Lugano-based BANCA DELLA SVIZZERA ITALIANA. Mr Staeheli joined last December from Swiss Volksbank, where he was London representative.

★

Mr Roger Dunn, managing director of Arcontrol, has been appointed chairmman of the low voltage controlgear systems section of GAMBICA. He succeeds **Mr G. F. (Fred) Webster**, of GEC Industrial Controls.

★

Mr John M. Guilbert, controller of general accounting services of CENTRE-FILE, has been appointed a director of the company, computer services subsidiary of National Westminster Bank.

★

BAYER UK has appointed a new chief executive to head its *rubber division, based at Newbury.* **Mr Juergen Linnemann** who also becomes a directors of Bayer UK, takes over from **Mr Ray Kaufman**, *who is preparing* to take over another key role in Bayer UK's management.

★

The FRIZZELL GROUP has appointed **Mr Roland Sperryn-Jones**, as managing director of the international broking division. He joins from Jardine Insurance Brokers where he was deputy chairman of the North American non-marine division of Jardine Glanvill.

★

Mr Chris Pettett, managing director of Peakdale, has been elected chairman of the ALUMINIUM FOIL CONTAINER MANUFACTURERS ASSOCIATION in succession to **Mr Ron Cook**, managing director of Bacofoil Containers.

★

Mr Stephen J. H. Maud has been appointed chief executive of Thomas Preston Manchester (TPM), a member company of SMURFIT print and packaging division. **Mr Francois Eliet** has been appointed chief executive of Swain's Packaging, a newly-acquired member of the division.

★

NORTON OPAX, Harrogate, has appointed **Mr Philip Cushing** as marketing director and **Mr Norman Finnigan** as personnel director. **Mr J. S. Heaton** is to retire as a non-executive director although he will retain his links with the company in a consultative capacity. Mr Cushing joined as group marketing manager in 1984 from Modulex Systems, where he was managing director. Mr Finnigan was group personnel manager.

★

ALEXANDER HOWDEN UNDERWRITING has appointed **Mr A. K. Giles** as underwriter jointly with the present underwriter **Mr G. K. Knight** of Marine Syndicate 831. Mr Giles was deputy underwriter.

★

Mr Michael Keevill has become managing director of ARROW PLASTICS. He was joint MD with **Mr Stanley Brain**, chairman and company founder. **Mr Richard Oliver** is promoted to deputy managing director in addition to his responsibility as director of manufacturing.

★

Mr Mike Elmes has been appointed technical director for MASSTOR SYSTEMS. He was with Honeywell as branch systems manager.

★

Mr W. Brian Griffin has been appointed to succeed **Mr Norman Reeves** as chairman of THE BUILDER GROUP in October. Mr Griffin is chief executive.

Board posts at Gateway

Mr P. G. Petridis, Mr D. Reid, Mr M. J. Sommers and **Mr A. Thomson** are joining the board of GATEWAY FOODMARKETS. **Mr J. F. Ridgewell** joins Gateway as assistant store operations director in the enlarged operations structure, and **Mr J. T. Sheldrake** is appointed company secretary of Gateway. **Mr Alan Thomas**, currently trading director, has been appointed deputy managing director of Linfood Cash & Carry; and **Mr Charles Collins**, currently trading manager, becomes buying director. All are Dee Corporation companies.

★

FLO-PAK (UK), part of the *Macfarlane Group (Clansman)*, has appointed **Mr Peter Connor** as managing director. He was director in charge of sales and production.

★

RENDEL PALMER & TRITTON has appointed a new managing director to its subsidiary firm RPT Economic Studies Group (ESG). He is **Mr R. E. G. Smith**, an independent economic consultant, and ex-deputy managing director of the Economist Intelligence Unit. Mr Smith has been working with ESG since 1983 as a transport economist.

★

Mr John P. Baldry has been appointed managing director of MONENCO ASSOCIATES, Bristol, part of the Monenco Group. He has been with Monenco since 1965 holding positions in Canada and Jamaica.

★

Mr Charles Lenox-Conyngham has been appointed managing director of PRICE & PIERCE GROUP, a subsidiary of Sears World Trade Inc. He was an executive director of Ocean Transport & Trading and managing director of its marine division.

★

Mr Michael Green and **Mr David Tetlow** have been appointed to the board of HMT COMPRESSED AIR SERVICES, Burntwood. Mr Green was general manager, and with the company, which he joined in 1977. Mr Tetlow was group service manager.

★

Mr Steve Baverstock has been appointed sales director of WEY DISPLAY MATERIALS. He was sales manager. Wey Display Materials is a subsidiary of the Pollock & Searby Paper Merchanting Group.

★

Mr Graham Moss *has been* appointed director, operations (designate) from February 25 at WELBECK LEASING SERVICES. He was with H. & H. Factors as financial director. Welbeck Leasing Services is a wholly-owned subsidiary of Welbeck Finance.

★

Mr R. J. Whitehouse has become director of BACOL FINE BLANKING, Bromsgrove, a Metalrax Group company. He was commercial manager with responsibility also for purchasing and production control.

★

Dr Mauro Beltrandi and **Dr Herbert Westerhausen** have been co-opted to the board of PREMIER CONSOLIDATED OILFIELDS. Dr Westerhausen was *managing director of Deminex* UK, the German national Oil company, and Dr Beltrandi was vice-president for foreign exploration of Gulf Oil.

★

The ROYAL INSTITUTION OF CHARTERED SURVEYORS has appointed **Mr Michael A. Pattison** as secretary-general from July 8 when **Mr Robert Steel** retires. Mr Pattison is head of establishment and organisation department of the Overseas Development Administration.

★

Mr Jerry Williams has been appointed senior vice-president exploration for OCCIDENTAL INTERNATIONAL OIL INC in London where his new responsibilities include exploration in Europe and Africa.

★

Mr David Adams, **Mr Paul Hunt** and **Mr Gordon McCall** have been appointed directors of R. M. PATEMAN UNDERWRITING AGENCIES.

★

Mr Tony Wicks has been appointed a director of UNITED CITY MERCHANTS. He is managing director of the trading division.

★

Mr Michael Gaherty has been appointed marketing and projects director for COMPUTER FIELD MAINTENANCE, the third party computer maintenance subsidiary of the IAL group.

★

Mr Bruce A. Durning has been appointed managing director of *BABTIE ELECTRICAL* AND MECHANICAL SERVICES, a newly-formed subsidiary of Babtie Shaw & Morton. He was with the Scottish Development Agency.

★

NUFFIELD HOSPITALS has appointed **the Earl of Airlie** and **Sir Peter Lane** to the board. Lord Airlie was until recently chairman of Schroders. Sir Peter is senior partner of Binder Hamlyn.

Kenning Group sales chief

Mr T. F. (Terry) Ward has been appointed group sales development director and **Mr R. P. (Bob) Frost** has been made *divisional director of* KENNING CAR AND VAN HIRE. Mr Ward, who was divisional director will be responsible for co-ordinating the sales development activities of all the divisions of the Kenning Motor Group.

★

Mr J. Burnett-Stuart has resigned as chairman of ROBERT FLEMING INSURANCE BROKERS and as a director and has been succeeded by **Mr P. L. B. Stoddart**. **Mr J. D. Drysdale** has been appointed a director.

★

Mr Geoffrey A. McHugh has been appointed to the board of TDC CIRCUITS as production director. He was production manager.

★

HIGGINS & DOBLE, Lloyd's underwriters, has appointed **Mr Alan G. Lloyd**, **Mr Gregory F. Quail** and **Mr Geoffrey D. Wilding** as directors.

★

Mr Peter G. Pollock has been appointed financial director of ML HOLDINGS from March 4.

★

Mr Brian Parsons has been appointed sales director of ANTON DOMESTIC APPLIANCES. He was marketing manager. Anton is a Unigate subsidiary.

★

Mr Geoffrey A. Ball, group managing director of The City of Aberdeen Land Association, has been invited to join the board of STENHOUSE WESTERN as a non-executive director.

★

Mr G. K. Wick has been appointed director of audio visual and inter-active technology services at BRITISH PRINTING & COMMUNICATIONS CORPN. He was managing director of Molinare Holdings.

Producer prices rise by nearly 1% over month

BY MAX WILKINSON AND MICHAEL PROWSE

PRICES PAID by manufacturing industry rose by 0.9 per cent between December and January and by 8.4 per cent over the year to January. This compared with a rise of 9 per cent in the 12 months to December.

Figures, from the Department of Trade and Industry, showed some slight acceleration, however, in the rate of increase in industrial selling prices, from 6 per cent in the 12 months to December to 6.2 per cent in the year to January.

For manufactured products other than food, drink and tobacco, the 12-month increase in selling prices rose from 5.7 per cent in December to 6.3 per cent in January.

Although these figures do not appear to show any substantial increase in inflationary pressure in recent months, the Government remains anxious that the recent falls in sterling will tend to put upward pressure on prices this year.

The rise in manufacturers' buying prices is also uncomfortably high in comparison with the domestic inflation rate, which was 4.6 per cent in the year to December and is projected by the Treasury to remain at about that level this year.

In the last two years, manufacturers have been able to absorb part of the rise in materials and fuel prices and the 8 to 9 per cent rise in average earnings, through higher efficiency. This has meant investment in labour-saving machinery and shedding jobs, however.

● Spending in Britain's shops fell sharply in January from record levels in December.

Provisional figures from the Department of Trade and Industry show the index of retail sales volume down 3.9 per cent from December at 112.6 (1980 = 100), the lowest since last August.

Officials said the decline in retail sales was broad-based, with food sales showing more resilience than other categories of retail trade.

The Retail Consortium, which represents 90 per cent of UK retailers, said it was not too concerned about the January figures. Seasonal adjustments were unreliable around the Christmas period and the average volume of sales in December and January combined was still a record – 5 per cent higher than last year.

"A January decline is normal and should not be taken to imply an end to the consumer boom," it said.

Weak sales volume in January may also have been caused by snow in some areas which caused early closing. The John Lewis Partnership chain of department stores, which is regarded as a barometer of retail sales, said that business in the four weeks to February was "above estimate" and up 13.6 per cent

Over 1,100 miners abandon strike but trend slackens

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE NUMBER of miners abandoning the 11-month strike to return to work for the first time fell markedly yesterday.

The National Coal Board (NCB) claimed that 1,190 broke the strike compared with a record 2,318 for the same period last week.

NCB managers were blaming a number of factors for the sharp fall, although officials of the National Union of Mineworkers (NUM) were claiming that the reverse was a significant one.

Bad weather deterred many miners from coming back yesterday, according to the NCB, which pointed to the fact that many parts of the coalfields were snowbound.

The NCB also said that the regional days of action sponsored by the Trades Union Congress (TUC) in support of the miners had also had an effect, not because they were successful in attracting many demonstrators but because the possibility of such demonstrations might have had a deterrent effect on those thinking of going back to work.

NCB managers thought that demonstrators taking part in the days of action had swelled the coalfield picket lines in some areas.

West Yorkshire police confirmed this, and said picketing throughout the country had been "heavy," with perhaps an estimated 3,000 pickets in operation overall.

The single largest picket was at Emley pit, near Wakefield in Yorkshire, where there were an estimated 350 demonstrators. Two people were arrested for public order offences, with two more arrested at Glasshoughton colliery near Castleford.

Senior NCB officials also thought that last week's public link between the NUM and the pit deputies' union Nacods might have raised some hopes of a breakthrough in talks. Others discounted this, claiming that few miners had much faith now in the prospect of further negotiations.

The slump in the numbers returning was general, apart from in the predominantly working area of Nottinghamshire.

Mr Tony Benn, a leading left-wing MP, claimed last night that the miners were "on the eve of a major victory," and called for a "really big extension of industrial action" to support them.

Mr Benn, a former Energy Secretary, told a TUC rally: "The tide of public opinion is at last turning in favour of the miners.

"Mrs Thatcher's vicious plan to veto talks and her hopes of humiliating the NUM have backfired on her in a big way. The vast majority of miners are still out."

Judge bans mass picketing

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MASS PICKETING of five South Wales pits was banned by a High Court judge yesterday in an important judgment on the law governing picketing in industrial disputes.

Mr Justice Scott ruled that no more than six people could picket each colliery gate. He added: "There is no legitimate distinction between so-called pickets standing close to colliery gates and so-called demonstrators who stand nearby."

The judge said those organising picketing had a duty to see that pickets did not threaten violence and that the use of threatening language did not get out of hand.

He was ruling on claims by 20 working South Wales miners for temporary orders stopping the National Union of Mineworkers (NUM), its South Wales area, and 19 national and area officials encouraging, assisting or organising illegal picketing.

He refused to make any orders against the NUM, the members of its national co-ordinating committee or the South Wales officers. But he granted an injunction restraining the South Wales union from "inciting, procuring, assisting, encouraging or organising" more than six NUM members or others to "congregate or assemble" at or near the entrances to the five collieries, other than for the purpose of peacefully communicating information or peacefully persuading people not to work.

Ponting case verdict boosts campaign for open government

BY RAYMOND HUGHES

THE EIGHT men and four women in the Old Bailey jury who yesterday unanimously acquitted Mr Clive Ponting of an offence under Section two of the Official Secrets Act, have almost certainly sounded the death knell of the controversial section and struck a resounding blow for the campaign for more open government.

It is hard to see how any more prosecutions can be brought under the section, which has long been criticised, even though it would be theoretically possible so long as the section remains on the statute book.

The jury's apparent rejection of the trial judge's narrow definition of "the interest of the state" in the section as meaning the interest of the government of the day suggests that they regarded a civil servant's duty as being to Parliament as a whole rather than to the, possibly political, interest of his minister or department.

Mr Ponting was charged that, having in his possession or control information obtained by him, or to which he had access, owing to his position as a person who held office under the Crown, he "communicated such information to a person other than a person to whom he was authorised to communicate it, or to whom it was, in the interest of the state, his duty to communicate it."

The prosecution argued that an MP such as Mr Tam Dalyell, to whom Mr Ponting sent two documents concerning the sinking of the Argentine cruiser the General Belgrano, was not authorised to be given the information.

And, the prosecution said, the "interest of the state" meant that which reflected the policies laid down by "recognised organs of government."

Mr Bruce Laughland, QC, for Mr Ponting, made it clear from the outset that the central issue was whether a civil servant could, without committing an offence under section two, pass on information to an MP.

He argued that the interest of the state must include Parliament in the "organs of government." In his summing up to the jury, Mr Justice McCowan made it clear that he preferred the narrow view expressed by the prosecution.

His directions on the law appeared clearly to be pointing the jury in the direction of a guilty verdict.

Mr Ponting's claim that he leaked the documents out of his duty to the state was no defence in law to the section two charge, he said. Mr Dalyell was not a person to whom Mr Ponting had been authorised to give information. Mr Ponting's duty was the official duty imposed on him as a servant of the Queen – and it was a duty to preserve documents in the interests of the state.

In law, the judge ruled, the interest of the state meant the policies of the state i. e., the government of the day. He warned the jury that they should not concern themselves with political debates about the section.

While no-one can say what prompted the jury to acquit Mr Ponting, their decision must be regarded as a straight rejection of Mr Justice McCowan's directions.

They appear to have decided that MPs, as the representatives of the people, are to be counted among those authorised to receive disclosures from civil servants – particularly when the disclosure concerns the apparent misleading of parliament by government ministers.

The catch-all nature of section two has been roundly condemned by supporters of all political parties, as well as extra-parliamentary critics, for many years.

In 1972, a committee headed by Lord Franks investigated the Act and described section two as "a mess," with an "absurdly wide" scope. Between 1916 and 1979 there were 34 prosecutions under the Act, which had been introduced in 1911. Most were for section two offences.

Since 1979 there have been 16 cases – the most recent before Ponting being last year's prosecution of Miss Sarah Tisdall, a Foreign Office clerk sentenced to six months' imprisonment for a section two offence of leaking documents concerning national security to The Guardian newspaper.

In the Ponting case there was, as the prosecution acknowledged from the start, no national security element; all that was involved was a breach of confidentiality.

That and the fact that Mr Ponting leaked to an MP and not a newspaper, and that he did not do so for money, combine to make his case a particularly powerful weapon in the hands of those who wish to see section two consigned to legal history.

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Atomic authority to be more commercial

THE GOVERNMENT has plans to reorganise the UK Atomic Energy Authority on a more commercial basis and set it's financial guidelines from 1986, **David Fishlock** writes.

The research body employs about 14,000 at nine sites in Britain. Its budget – £375m last year – is to be run on semi-commercial lines, known in government circles as a trading fund, with research programmes paid for on a customer-contractor basis.

It will be the Government's first experience of applying the trading fund to research and development activities. The authority already has experience of the practice, which was used in the mid-1960s to put the manufacture of nuclear fuel and of radioactive substances on a more commercial footing.

□ **PLANS** for direct broadcasting by satellite (DBS) have suffered another setback. The BBC and independent television (ITV) companies which form 80 per cent of a DBS consortium have been told that negotiations with United Satellites (Unisat) have failed to find a viable deal.

Unisat – formed by British Aerospace, British Telecom and GEC-Marconi – reduced its price during the talks from £80m a year over eight years for a three-satellite system to £73m a year. The consortium is being advised, however, that it cannot get a return on such an investment.

□ **BRITISH** Shipbuilders (BS) announced a £7m order to build a fisheries research vessel for the UK Government, bringing merchant ship orders for the state-owned company so far this year to over £80m.

BS trading losses, which were £161m in the year to April 1984, are expected to decline to about £50m in 1984-85.

□ **MRS MARGARET THATCHER**, the Prime Minister, celebrated 10 years as Conservative Party leader. She said, "the next anniversary, one would hope, would be 10 years as Prime Minister. I would like that very much."

Mrs Thatcher became Prime Minister in May 1979.

□ **THE BRITISH** drank 15 per cent more French wine last year, a total of 171m litres. Champagne sales rose by 22 per cent and red Bordeaux by 41.4 per cent.

Doubts that ended Sleipner gas deal

IAN HARGREAVES reports on why the Government vetoed what would have been the biggest trade contract in UK history

IT IS one year ago, almost to the day, that British Gas and Statoil of Norway signed a commercial contract for the import to the UK of gas from Norway's Sleipner field.

At the time it looked as if British Gas had scored a considerable coup, tying up 15bn cubic metres (bcm) of gas a year over 15 years and at a price considerably lower than earlier European gas contracts – $4.15 per million British Thermal Units (Btus), compared with a reported price of $5.28 per m Btu paid by the West German utility Ruhrgas for gas from Norway's Statfjord field in 1982.

By the time, however, that Mr Alick Buchanan-Smith, the UK Energy Minister, arrived in Oslo on Sunday to deliver the Government's verdict on the proposal, there was no chance that this week would see a birthday celebration for the Sleipner contract.

It has been a curious story and one with far reaching implications for the world gas industry, for which Sleipner has been the biggest talking point these last 12 months.

The Sleipner saga began almost three years ago, when Mr James Allcock, British Gas's director of purchasing, started to talk to the Norwegians about how Britain could replace its supplies of gas from Norway's Frigg field. These currently account for over a quarter of UK supplies.

British Gas never doubted that it needed a source of imports to replace Frigg, and Norway looked the obvious choice. The alternatives were ruled out on a variety of grounds: Dutch gas because it was not available in sufficient volume; Algerian gas on price; Soviet gas because the Government did not like the idea.

When British Gas presented its draft contract to the Government, the corporation expected speedy agreement. The Department of Energy had been kept informed in some detail and matters like the negotiation of a treaty to cover the pipeline and taxation arrangements on Sleipner's associated gas liquids were regarded, essentially, as formalities.

It took a number of weeks before anyone realised that the deal had encountered political problems in Whitehall. Norway announced – and then allowed to be broken – a series of deadlines beyond which, it was said, the Sleipner development could not be approved by the Norwegian Storting (parliament) in time to meet commercial requirements of the contract.

The root of Sleipner's problems, undoubtedly, was in the Treasury, which had sore memories of the 1974 Frigg contract. Mr Nigel Lawson, the Chancellor of the Exchequer, still fresh from his stint as Energy Secretary, had all too clear a recollection of the lull in exploration and development in the UK's southern gas basin in the late 1970s – a result, it was argued, of British Gas's cushion from Frigg.

The Treasury cared passionately about this matter because it knew that as tax revenues from oil started to turn down later this year, it would be increasingly reliant in the 1990s upon taxes on gas production. Sleipner suddenly looked like becoming a big hole in future budgets.

On top of that the Treasury was worried that British Gas would use Sleipner, as it was alleged to have used Frigg to hold down the price it paid to suppliers from the UK continental shelf.

Last year, British Gas was offering 23p a therm for UK supplies. Even at an exchange rate of $1.50 to the pound, Sleipner translated into over 27p a therm. As sterling slid, that comparison – misleading though it is in some respects – has looked worse and worse. Today the sterling price of Sleipner is over 35p a therm.

At first, it looked as if the Energy Department was, more or less, on British Gas's side. Mr Peter Walker, the Energy Secretary, played a characteristically fluent hand in Cabinet and won agreement for British Gas to go back to Statoil with a proposal to reduce the Sleipner peak offtake from 15 bcm a year to under 12 bcm a year. Even at that level, the deal was worth $30bn – the biggest trade deal in UK history.

As late as last autumn the signals from the Energy Department, and certainly the signals picked up by British Gas and the industry, were that Sleipner was a certainty.

It seems to have been the Energy Department's anxieties about exports – whose prices it feels would be difficult to police – which started to tip the scale against Sleipner. If that was the *quid pro quo*, the Energy Department, interventionist by nature, did not want to play.

Export agency deficit 'could rise to £1bn'

BY CHRISTIAN TYLER, TRADE EDITOR

THE BRITISH Government's export insurance agency could see its £400m overdraft rise to £1bn over the next few years, MPs were told yesterday.

The new estimate of the Export Credits Guarantee Department's (ECGD) peak borrowing needs was described as "very disconcerting" by Mr Robert Sheldon, chairman of the House of Commons public accounts committee.

MPs had pressed Mr Jack Gill, ECGD secretary, to put a figure on the department's future cash deficit arising out of Third World debt rescheduling and commercial failures during the recession.

Mr Gill agreed that it was "a sombre picture," but he said he hoped the deficit with the Consolidated Fund could be reduced by bank refinancings under ECGD guarantee. Discussions were going on with the Treasury.

What Mr Gill described as his "base case" assumes that the debt problem will be contained and that the £610m of ECGD assets in central banks abroad will flow back. It takes into account an ECGD liability of some £400m on trade debts outstanding from Nigeria, whose request for refinancing has been held up by lack of agreement with the International Monetary Fund.

Imported models help GM gain record sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS, the Vauxhall-Opel group, produced fewer cars in Britain last year than in 1983, even though it increased sales to record levels.

Other car companies in Britain also produced fewer vehicles, but BL, the state-owned group, remained well ahead of Ford as the UK's biggest producer.

While GM's sales rose by 8 per cent to 282,835 cars last year and its market share went up from 14.6 per cent to 16.1 per cent, output from its UK factories dropped by 7.44 per cent to 117,114.

This will be embarrassing for GM, which has been under pressure from the British Government to build more cars in the UK in view of its success in the market. Its market share in 1981 was only 8.5 per cent.

Some of the fall in production was expected because GM last year switched production from the old to the new Astra at the Ellesmere Port plant on Merseyside, and there is always a decline in output when a factory is disrupted for a model change.

The unexpected element in the poor GM performance was the six-week strike of metalworkers in West Germany, which cut supplies of components and the number of car kits sent by Vauxhall's sister company, Opel.

Strikes in two plants operated by Austin Rover, BL's volume car subsidiary, in May and June cost the company output of 38,000 to 40,000 vehicles last year.

A decline in exports to continental European markets also contributed to the 14 per cent drop in Austin Rover's output in 1984, compared with the previous year.

Ford also blames a strike for much of its fall in output. A dispute among sewing machinists cost about 40,000 cars towards the end of 1984. Compared with 1983, Ford's car production fell by 44,907 cars, or 14 per cent.

Of the major UK-based companies, Talbot UK suffered the worst experience with a 21 per cent drop in production caused partly by snags in the provision of finance for the car kits it sends to Iran. The Peugeot group subsidiary, however, also had a difficult struggle to sell the Horizon Alpine and Solara models it builds in the UK factories.

The statistics, to be published shortly in the Society of Motor Manufacturers and Traders' Monthly Statistical Review, confirm that UK car output dropped below 1m again in 1984 after reaching that psychologically important level the previous year for the first time since 1979.

The 13 per cent fall in production to 908,906 cars was entirely due to the "big four". Britain's smaller companies nearly all raised their output considerably – the most impressive improvements coming from Rolls-Royce, up by more than 40 per cent, TVR, in excess of 36 per cent; Lotus, up 30 per cent, and Jaguar-Daimler, up 19 per cent.

UK CAR PRODUCTION

	1984	1983
Austin Rover	371,427	433,183
Range Rover	11,897	12,181
BL	383,324	445,364
Ford	273,767	318,674
Talbot	95,122	120,503
GM – Vauxhall	117,114	126,524
Carbodies	1,621	2,171
Jaguar/Daimler	33,342	27,977
Lotus	837	642
Panther	447	*
Reliant	135	105
Rolls-Royce	2,201	1,568
TVR	397	291
Others	599	778
Total	908,906	1,044,597

* Included in others

Source: Society of Motor Manufacturers and Traders

Ford close to participation deal

BY BRIAN GROOM, LABOUR STAFF

FORD IS on the verge of reaching agreement with unions representing its 10,000 UK white-collar staff to introduce a pilot programme of employee participation, similar to that begun six years ago in the U.S.

According to the unions, the proposals will allow individuals and groups of staff to take part in the "managerial process," including planning, setting goals, problem-solving and decision-making.

Ford has so far failed to interest the manual workers' unions in the scheme, however. They fear it would become a device for exhorting people to work harder, undermine the union negotiating structure, and cut across the existing suggestion scheme.

Hostility from manual unions prevented the introduction of "quality circles" in Ford's British plants four years ago.

The white-collar unions include the Association of Scientific, Technical and Managerial Staffs (ASTMS), the engineering staff union AUEW-Tass and the staff section of the Transport and General Workers' Union.

ASTMS said the scheme might have a fundamental effect on industrial relations in Britain. Its progress would be closely watched by companies, unions and the Government.

A further meeting with the company will take place today. If agreement is reached, a joint working party will be established to decide where and how to set up the pilot projects. "Participation groups" will be formed.

As part of the scheme, management will supply regular information and encourage discussions on the role of Ford plants in Britain and in the company's European and worldwide operations.

Ford claims considerable success for the U.S. programme which includes manual workers and was set up by agreement with the Union of Auto Workers (UAW). Schemes vary from plant to plant.

UK staff unions say they will not allow the participation groups to supplant union organisation. Any proposals that would impinge on union procedure agreements would be referred to normal union-management negotiations.

A 27-strong union team visited the U.S. and found that employee participation could work if staff had strong union backing.

General Mills seeks buyer for £80m British toy business

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

PALITOY, Britain's biggest toy company, is up for sale – not for all the usual reasons which have led to the disappearance of so many famous names in the toy world in recent years, but because of a decision by General Mills in the U.S. to pull out of the cyclical world of toys.

Palitoy is a subsidiary of General Mills, which also owns Parker Brothers in the U.S., the company which introduced Monopoly to the world as well as the more recent best-selling game, Trivial Pursuit.

General Mills, however, is at present "reconsidering" its involvement in toys in both the U.S. and Britain along with its troubled fashionwear business. "We want to concentrate our investment and management resources on our consumer foods and restaurants activities," a General Mills spokesman said. "We will be spending the next 60 to 90 days exploring the sale of our toys and fashion operations."

General Mills' view of the toys and fashionwear business from its Minneapolis headquarters has become jaundiced in recent years by the vagaries of consumer demand. The company has built a well-deserved reputation for the successful marketing of many successful food products – such as Cheerios cereals or Betty Crocker cake mixes, which have been best-sellers for decades.

The group has not, however, appeared equally adept at maintaining its marketing flair with either its Alligator-brand fashionwear nor the toys and games business, especially the video and electronic games sector.

Late last year the company announced significant cuts in the workforce of its Izod sportswear division in an attempt to restore profitability. This move preceded a 32 per cent drop in last year's second-quarter net income, announced just before Christmas, to $55.6m.

General Mills' was caught out by the phenomenal popularity of its Izod sportswear in the late 1970s when it was greatly in demand among young people. General Mills was slow to capitalise on the surge in demand for the fashion sportswear with its distinctive "le Crocodile" motif and was overtaken by other design houses.

Its growing disenchantment with toys was not helped by Parker Brothers' experience in the video games market – a record year in 1982 was followed up, against expectations, by a much poorer performance in 1983 and 1984. That experience, according to industry sources, might have brought sharply home to General Mills' executives the volatility of the toy trade.

Ironically, the UK's Palitoy – bought by General Mills in 1968 – has exhibited some of the market flair in recent years that General Mills normally reserves for its food operations.

At the start of the 1980s, Palitoy was struggling, like most other UK toy companies, to come to terms with the recession, the implications of a declining birthrate and the strength of sterling.

While other famous names – such as Dunbee-Combex-Marx, Lesney and Mettoy – fell by the wayside, Palitoy's response was to bring in a whole clutch of marketing men headed by Mr Peter Waterman, who became managing director in 1982.

All the new marketeers have a background in fast-moving consumer goods. Marketing director Mr John Harper came from Procter & Gamble, UK marketing manager Mr Duncan Billing from Birds Eye Walls and European marketing manager Mr Andrew Low came from Cadbury Schweppes.

Those marketing executives brought their expertise in selling groceries and soap powders and applied it to the toy business.

The result was to revitalise the way in which toys were sold in the UK – for example more promotional expenditure and more emphasis on establishing consumer needs and filling the market gap.

Palitoy's marketing thrust, however, has not been without competition, mainly from other U.S.-owned toy companies operating in the UK such as Mattel and Hasbro Bradley.

Palitoy, which employs some 500 people at its factories just outside Leicester and has retail sales of £80m a year, is wary of what may happen if and when General Mills finds a buyer for its toy operations

The likelihood remains that a buyer will be found for the whole toy division, which remains profitable, rather than selling off Palitoy and the other companies piecemeal.

Peter Marsh on a Cambridge success story

University city becomes hi-tech 'boom town'

THE UNIVERSITY city of Cambridge in East Anglia, traditionally a backwater in industrial terms, has become a high-technology "boom town" in a transformation worthy of a film script.

The stars of the show are the dashing figures who have combined technological expertise with entrepreneurship to establish the city's best-known enterprises. Names such as Sir Clive Sinclair and the brothers Jack and Charles Lang (founders of Topexpress and Shape Data respectively) are prominent.

In the background is the influence of the centuries – old university which, over the past couple of decades, has prodded its academics either to start their own businesses or form relationships with the industrial community.

There are walk-on parts for Lord Wilson, whose rhetoric when Prime Minister in the 1960s about the "white heat of technology" did much to persuade the university of the soundness of this approach, and Mr Tony Benn, the left-wing MP who, in his days as technology minister, was instrumental in setting up a government computer centre on the edge of the city.

The story even contains a whiff of impending disaster, as a result of the present tribulations of Acorn Computer, the Cambridge company that makes BBC computers. After selling its first machine in 1979, Acorn registered sales of £90m in 1984 but appears at the moment to have lost the confidence of computer pundits and the stock market.

Despite such "rags-to-riches-to-rags" possibilities, the tale of the Cambridge high-technology phenomenon is one of success. The area contains about 300 science-based companies, the majority of which started life in the past decade and employ fewer than 30 people.

Most of the employees are engineers, scientists or clerical workers. The Cambridge companies do little of their own production, preferring to sub-contract to other businesses.

A report published this week by Segal Quince and Partners chronicles the growth rate of high-technology companies in Cambridge – an average of 20-25 a year over the past five years – and explains how this is related both to the influence of the university and to the ease with which in the city people find it easy to leave existing companies to form new ones.

Segal Quince compares the performance of Cambridge with Britain's two other boom areas for high-technology companies – the "M4 motorway corridor" between Bristol and Berkshire in southern England and the Scottish lowlands. It says there are significant differences.

Cambridge, which has a population of 100,000, has mainly small companies which heavily emphasise research and development. They have a spread of technical interests from medical hardware to engineering instruments.

In the M4 corridor, by contrast, the predominant influence comes from businesses involved in the marketing, distribution and production aspects of technology. The UK subsidiaries of multinational electronics companies are the strongest feature of Scottish high-tech industry.

The emergence of small, science-oriented companies around Boston and San Francisco in the U.S. is more akin to the Cambridge pattern, the report says. Both these phenomena are longer established and on a bigger scale but are strongly related to developments at two academic institutions, the Massachusetts Institute of Technology and Stamford University.

The Segal Quince study suggests that one reason behind the growth of Cambridge's high-technology companies is the special nature of the city, which is a small, lively place in which the university dominates. A core of skilled people in technological disciplines associated with the university has produced a 'critical mass' of men and women who greatly influence the city's life.

Segal Quince also emphasises other factors:

● The role of the university. Unlike many other British academic institutions, Cambridge University is permissive about letting its staff work for industry on a consultancy basis.

● A flexible labour force. Cambridge has virtually no history of heavy industry, creating "a labour market and a general psychological attitude in which flexibility and individualism have never been suppressed."

● The actions of key individuals. The formation in 1960 of Cambridge Consultants (by a group of academics) was important in setting the tone for industrial activities in the city for the next 20 years. People left the company to start new technological enterprises, a trend that was reparated elsewhere.

● Encouragement of moves to start companies. The report says that Cambridge contains many hidden social networks by which articulate, confident and technically minded entrepreneurs communicate.

● The attitudes of the financial community and other "service providers." In 1979, for example, a Cambridge branch of Barclays Bank formed a computer group whose members included people from local industry. As a result, Barclays staff understood the needs of new companies in technical areas.

● The nature of technological development in the 1980s. At a time of rapid advances in technology, small companies close to the places where these advances take place (either in university departments or in existing enterprises) are well placed to commercialise the innovations.

This is particularly in the kind of esoteric, limited-market technologies in which Cambridge companies have specialised, in areas such as instruments and biosciences.

Segal Quince says there is no reason to suppose the flow of good ideas from Cambridge University and the existing companies will dry up. The Cambridge phenemenon could, however, enter a new era as a result of the attention that big, established companies are paying to the region.

The big companies that have set up offices in Cambridge in recent years include Schlumberger (a French-American company involved with drilling technology), logica, IBM and the pharmaceutical enterprises Napp Laboratories and Warner Lambert.

Although there may be some changes as a result of more acquisitions by big companies, Cambridge's technology-based industry will continue to be dominated by small companies, the report says. "We suspect that the Cambridge management style ... is at its best in organisations that do not get too big."

The Cambridge Phenomenon, from Segal Quince and Partners, 42 Castle Street, Cambridge, £16.40.

Renoir, Hayward/William Packer

The pleasure of paint

There are painters even of the greatest reputation who have suffered nevertheless by a certain critical neglect of their work, as if it were that for a period it had shifted somewhat out of focus and become impossible to see clearly, calmly and whole. What it might be that should blur the image so varies from case to case: its advanced nature perhaps, or its safe conservatism; its subject matter or its manner of statement; its particular critical, analytical or technical intentions, or its lack of these qualities; even at last, perhaps, its more general popularity and success. Not the least of Renoir's peculiarities is that he should have managed to lay down around himself, artlessly and unwittingly, a generous fog of prejudice and contradiction.

Renoir's Caillebotte children portrait

The manufacturer will not put on his chocolate box an image that will not help to sell his sweets, and the association with sweetness becomes fixed, cloying the judgment, and far too sweet for our cleaner, drier, modern palate. An honest, open hedonism declares itself, and we look beneath its surface for an armature of programme or critique, for how otherwise, in an analytical age, can it support and justify itself. And yet how difficult are those later paintings, how awkward and inept, gone the dappled sunlight on firm young flesh for something altogether hotter, riper, more overblown. The thought that a painter *need* sustain himself by nothing more than a love of nature, light, pretty girls—in Renoir's case—and, most of all, paint itself, seems always to take a long time to sink in, save among painters themselves.

Yet at length it does sink in, if only by a little, and the air does clear. Only a few years ago a great Renoir exhibition could have been excused only by special pleading on grounds of popular appeal and commercial certainty: today we have the Arts Council mounting a magnificent, serious and substantial study of his life's work without apology (sponsored by IBM: at the Hayward until April 21, then on to Paris and Boston). It comes at a good time, looking as handsome as it seems necessary, stimulating all sorts of fresh thought and qualification about his place among his contemporaries, and picking up the most unexpected and intriguing resonances with later, even the most recent of current, activity.

For just as we have lately come to see that Impressionism as a movement can no longer sustain the critical coherency for so long wished upon it, indeed is no more substantial under scrutiny than a Cheshire Cat, so the individual artists most closely associated with it have come to be seen rather more for their work on its own terms, and their collective identity a creature more of time and place than of common aim. Of course, most of them lived to be Post-Impressionists, which likewise has come to be nothing more exclusive than a temporal description. The problem with Renoir, however, has been that of them all, his has been the last name to have shaken from it the label of that first narrow category: and though by the later 1880s he was no longer any more a true impressionist than were Cézanne or Gauguin or Degas, so strong by then, as we can see with hindsight, was the forward pull towards Expressionism and the Fauves, his work even of some 20 or 30 years on was still seen, almost until yesterday, as a kind of desperate yet failed Impressionism, awkward as I have said, and inept.

But take away the simple expectation that goes with category and kind and Renoir's work over his career becomes altogether more interesting and, very far from a case of from promise to good to indifferent bad. He is never anything less than himself in his work, but is also clearly something of a creative chameleon, absorbing into his work not so much the substance as the apparent colouring and flavour of that of his working friends and associates, yet in the process making it entirely his own. And this would seem to be not at all a matter of looking for and accepting influence and direction, which would suggest a critical programme of sorts and some introspection: rather it is that Renoir is a natural and instinctive painter, interested of course in whatever is about him, aware of what other painters are up to and as responsive to it as it were any other feature of the natural world. Certainly there is no critical pattern to be drawn from the influences, echoes and reflections apparent in his work other than their near contemporaneity and the game is endless: Delacroix, Courbet and Manet for the young man, Monet, Sisley, Pissarro and Degas as he grows a little older, hints of Cezanne and Gauguin, and even the young Matisse as he gets older still. And in the statuesque nudes of the last few years, is there not something of the ponderous simplicities that in their several ways Picasso and Braque were to exploit within a year or two?

Which brings us back simply to the works themselves, for themselves. Renoir, like so many natural and prolific painters, is not so much inconsisent in performance (for there has never been a painter who has not made bad or unsatisfactory work from time to time) as in acceptance, and here as one might expect, are pot-boilers and duds, and even what a most prolific painter friend of mine would call an absolute beezer or two. But they hardly matter, doing no more than point the interval between the wonderful things from all periods of Renoir's life, the great reclining nudes at the one extreme, the last, and at the other his friend Bazille at work in his studio, the large still-life of potted plants, Parisian women in Algerian fancy dress, or simply the fresh and funny skaters in the Bois de Boulogne.

Always it is where he draws into the surface, beyond the mere reading of the image, that he is at his most fascinating and particular, which only serves to make his curious magic more potent, as the delicious nude beneath the trees dissolves in a flurry of feathered brush strokes and rich paint. A wide and lovely landscape resolves itself out of lush blobs and sweeps of pigment, green, yellow and violet, and falls away again as we move forward to indulge the sense, the touch of the surface, albeit at a necessary remove. The skiff slips by in the sunshine, bright orange on deep blue. And as for the girls together at the piano, an enchanting sequence, for their sakes we can forgive any number of artificial and fondant nudes and portraits. For painting is an immediate and physical business, however delicate the suggestion, and Renoir is one of the most directly affecting of painters, if only we free ourselves of our prejudices and allow his work to be itself, for all its sweetness and sentiment.

The upper gallieries at the Hayward are occupied by a generous selection of recent work by the English painter, John Walker, which is too important a show to write off here in a paragraph. But in her introduction to its catalogue, Dore Ashton, the distinguished American critic, refers to the secret and mysterious language of painters. "Every true painter, though, knows that other language . . . but there is Chardin telling us: 'But who told you one paints with colours? One uses colours but one paints with feelings': and didn't Delacroix say: 'Painting doesn't need a subject'?" Renoir once put it with genial vulgarity, that he painted, if you will excuse me, with his prick.

Nash Ensemble/Wigmore Hall

David Murray

Like other concerts in the current Nash "Italian" series, Saturday's began with a *Sequenzia* by Berio, one of his solo studies for contemporary virtuosi. This one was *Sequenza IX* for clarinet, the most recent, and Michael Collins explored it with communicative insight and all due expertise. Unlike some earlier, jokier *Sequenze*, no. IX makes little play with *outré* effects (the "chords" that the clarinettist has to produce in the middle). The burden of the piece is purely musical, not theatrical.

Rewarding to hear and follow, and obviously also to play — for those few who can; the Collins performance was so assured, and so scrupulously lyrical, that no technical hazard distracted. By comparison, Mendelssohn's op 113 *Concertstück* for clarinet, basset horn (Angela Malsbury) and piano (Ian Brown) sounded a workaday showoff piece, though it was attacked with high spirits. Amiable accounts of the late Haydn Piano Trio in G, and of Boccherini's String Quintet op 37 were imperfectly balanced. On a big modern piano Brown had to rein back his Haydn part; and Christopher van Kampen visibly relished the important first-cello part.

Felicity Palmer's contributions to the programme, in a group of Bellini and Verdi songs and Berio's early *Chamber Music* after James Joyce, were frankly over-projected. The Palmer mezzo is these days a formidable operatic instrument, and in the Wigmore the sheer quantity of voice blotted out differences between her songs.

Vigilantes/Arts

B. A. Young

"Asian!" says Gita. "It's a silly word. It isn't even a skin colour." As a line in a play put on by the Asian Co-operative Theatre, this is a pointer to an argumentative evening.

Farrukh Dhondy's play at the Arts Theatre, WC2, directed by Penny Cherns, is about the Bangladeshis who live around Bethnal Green, and if anyone thinks there is a good prospect of their becoming integrated into our society, Mr Dhondy has something to tell them. They aren't even integrated among themselves. On the one hand, we have feminist lawyer Gita (Shelley King), an attractive young lady who believes in all the equalitarian hopes of liberals of any colour,

On the other hand, we have Getty (Ursula Jones), who is assisting a television director on Channel 4 with a programme that is to show how much of the Bangladeshis' misfortunes are due to themselves. When *there is a famine in Bangladesh*, there is theft of rescue provisions.

There is of course a plot to carry all this background painting, but it is not in itself particularly interesting, except in so far as it reveals the family difficulties that afflict people whose social customs are so much stricter than ours. It concerns the parentage of a young man whose mother is British, and whose father is supposed to be looking after the few acres of land that he owns in Bangladesh, until it is revealed that, during the battles between the East Bengalis and the Pakistanis, he had been a spy for the Pakistanis

The plot is less worthy of attention than the display of Bangladeshi life in Bethnal Green (which I dare say is not all that different from, say, Pakistani life in Birmingham), and this is very interesting. The author is not himself a Bangladeshi, but he clearly knows what he is talking about, and he has a pretty line in dialogue.

Bhasker (left) and Kishore D. Chauhan in Vigilantes

Swan Lake/La Scala, Milan

Freda Pitt

After three postponements, the first performance of La Scala's much publicised new production of *Swan Lake* finally took place at the beginning of this month. It is rare for this ballet to make news in Italy, where the only performance to cause at all comparable excitement (if on a more limited scale) was the first appearance together in the central roles of Margot Fonteyn and Rudolf Nureyev, with the then Royal Ballet Touring Company, at the 1962 Nervi Festival. At least on that occasion the emotion was caused by the dancing and interpretation.

In the current extravaganza at La Scala, on the other hand, the choreography and dancing take a poor fourth place, after Franco Zeffirelli's scenery and production, Anna Anni's costumes and Lorin Maazel's conducting of the score—the one positive feature of the evening.

What in the first place differentiates this "remake" from its many predecessors is that it is not the work of a choreographer. Zeffirelli is famous for his work in films, opera and the straight theatre; his knowledge of ballet is minimal. However, since he was, it seems, determined that his concept should prevail throughout, he had to employ a choreographer who would obey his behests. He found this collaborator — or rather accomplice in the attempted assassination of the best-loved ballet in the whole classical repertory—on the spot in the person of Rosella Hightower, at present director of the Milan dance company. Apprehension induced by her mishandling of *The Sleeping Beauty* and, above all, *The Nutcracker*, during her Paris Opera tenures proved all too well founded.

No fewer than three notes in the Scala programme inform us of deficiencies in the traditional version, which is pronounced to be boring and inconsistent, above all in its dramaturgy. Zeffirelli therefore presumes to demonstrate how it should be done. Or rather, how it should not be done, and should not have been allowed to be done, for a more inept, confused, disconnected, antiquated and nonsensical production could hardly be conceived. The blame must be shared among all three perpetrators since while Zeffireli bears the overall responsibility, the nullity of the shapeless choreography must be at least in part due to Hightower, whereas the drabness of the Act 1 court costumes and, above all, the ugly and line-destroying long nightdress-like costumes for Odette and what used to be Swan Maidens must be attributed to Anni.

For Zeffirelli, Odette and her companions are part female, part spirit when they regain their human shape at night, his great "discovery" being that all resemblance to swans belongs to a spurious tradition. This argument might bear some weight if Ivanov's choreography were not so closely linked to the idea of swan maidens. But in Milan there is little Ivanov and less Petipa—and tutus are abolished.

Odette is totally sacrificed to Odile: spiritual love to carnal love, good to evil, excepting the final moments. Odile pops up everywhere, in every scene, even (most scandalously) after Odette's solo and the famous pas de deux in Act 2, when she dances with the Prince to a reprise of the music of his melancholy solo in Act 1.

And well may Maurizio Bellezza look melancholy and bewildered, for, although he is at least accorded a couple of workmanlike solos, he is, indeed, a poor creature in this production.

Zeffirelli follows Tom Schilling's East Berlin version (and others) in dividing the great double role. Odile, the temptress, appears in various guises: in red, as a gypsy, in Act 1; in cream in Act 2; in pale blue (in a costume identical to Odette's) in Acts 3 and 4. I have adhered to the traditional numbering, although—like Nureyev in his new, Paris, production — Zeffirelli divides the work into two parts only.

Most of the dancing is swamped by the relentless busyness of the production. Only Carla Fracci is allowed real prominence,

One for the Road/Croydon

Michael Coveney

Having been impressed by Helen Shapiro in pantomime in Halifax over Christmas. I felt I had little excuse to avoid seeing her in a play in Croydon on Friday night. Even without music, she is a strong and sympathetic performer with a notable sense of timing. But she does not play the main role in this touring revival of Willy Russell's late 1970s bungalow estate comedy.

Ms Shapiro and Patrick Monckton play neighbours to the Cains. Dennis Cain is about to be 35 and is acting strangely. A wave of ominously creative vandalism is sweeping the Phase Two bungalow development: a dozen garden gnomes have had their heads severed; a cascading waterfall has been atttacked; and now Dennis is yelling unmotivated abuse at John Denver through an open window.

Dennis is a suburban rebel and the fun of the play lies in both the absurdity of his fantasies of resistance and the passion with which they are voiced. While his parents telephone for instructions on how to negotiate Beethoven Close and Mahler Crescent (they never, in fact, arrive) Dennis launches a vituperative crusade against Spanish holidays and Tupperware.

In the second act, once the idea of sexual dissatisfaction has been planted, Dennis decides to roll up a sleeping bag and hit the road. Everyone else, it seems, wants to leave with him, but the action subsides in a bout of truth-telling among the quartet, a litany of adulterous peccadilloes, and a vague implication that wife-swapping could be next on the agenda. Dennis's Dylanesque poetry remains locked in the sideboard.

It is all fairly brisk and amusing, though Deborah Bestwick's production is short on the rough-house energy that characterised the first production. Also, no disrespect to a fine actor last seen in *Progress* at the Bush, but David Cardy does not release the play's malignant fury, nor Dennis's aggressive despair, in the way Alun Armstrong did in 1979.

Mullova/Barbican Hall

Dominic Gill

When I last heard the Soviet violinist Viktoria Mullova she was a finalist in the Sibelius Violin Competition in Helsinki in 1981. Her accomplishment, presence and command ranked her head and shoulders above all the other competitors (and it was as it happened an unusually strong list): there was no question in anyone's mind, least of all the minds of the jury, that she should, as she did, win the first prize.

Out in the real world, of course, the focus is still more intense, the competition tougher and more demanding, and the pitfalls wider and deeper. But it would appear that Miss Mullova is so far taking this real world in her stride. Her British debut in the Chaikovsky concerto with the London Symphony Orchestra under Maxim Shostakovich on Saturday night was an exceptionally promising affair, confident, disciplined, sure-fingered, carried off in style. It is too early yet to call her a star; but she is already a very notable young violinist indeed.

The tone is large, well-rounded and unfailingly beautiful; the platform presence is irresistible — gentle, with a quiet humility, yet powerfully assured. The clarity of articulation and bowing are remarkable: every detail of the first movement's rushing semiquavers and arpeggios, a few of which at least are traditionally thrown to the winds, was perfectly defined. She was evidently nervous (the pair of television cameras stationed almost within reach of her bow cannot have helped); but the nerves never strained or ruffled her sound.

Nerves on the other hand could have accounted for a certain coolness and reserve to the interpretation: whether that is so, or whether it is a more fundamental characteristic, we can't judge until we know the playing is better. I liked her calm and unmannered treatment of the Canzonetta, sweetly and elegantly turned, but without a trace of cloying; and the firm bravura of her finale—loose-limbed and agile.

Young Musicians' Symphony

Andrew Clements

Henze's *Heliogabalus Imperator* has been played once before in London, when Solti and the London Philharmonic introduced it soon after the Chicago premiere in 1972. It formed the first item in the programme of the Young Musicians' Symphony Orchestra on Wednesday at the Festival Hall; a timely revival, for it is in many ways one of the more colourful and appealing of Henze's scores from the 1970s. Like most recent Henze it is uneven, but the proportion of worthwhile music to sheer padding is higher than in a number of pieces that could be mentioned.

At almost half an hour it is a third too long, and without some of the pages of freely notated gestural writing which, as usual, seem only to mark time, the work might seem more tightly organised. There is an attractive passage near the opening for the strings, its tonality nicely blurred (though in the YMSO performance the harp decorations were entirely inaudible) and some ear-catching percussion later on. Most imaginative of all are the military-march interjections that represent the army mustering to overthrow Heliogabalus, cross-cut with the main orchestral argument in an almost Ivesian collision.

Under James Blair the YMSO played it with a good deal of vigour, even if some details failed to make their mark and there was sometimes a lack of rhythmic sharpness. The orchestra went on to give an enthusiastic and noisy account of Respighi's noisy and enthusiastic *Roman Festivals*, a real pot-boiler most notable for an outrageous rip-off from *Petrushka* in its concluding section. Between the two showpieces Vovka Ashkenazy was the soloist in Schumann's piano concerto, brisk and efficient.

Richard III/Paris

Nicholas Powell

It has become virtually obligatory in France over recent years, even within the respectful walls of the Comédie Française, to revamp classical theatre. Working within that tradition Georges Lavaudant's production of *Richard III*, playing at the Theatre de la Ville in Paris after being acclaimed at last year's Avignon Festival, wavers between invention and gimmickry.

Some of Georges Lavaudant's ideas work remarkably well. Ariel Garcia-Valdes as Richard delivers his first monologue from a trap-door in the stage and emerges painfully to reveal an iron brace on his leg. The brace transforms his movements into an awkward hobble, an evil, jubilant dance when he rejoices over his misdeeds. Outrageously blond, white-faced and lipsticked, Ariel Garcia-Valdes invests his character with a range of sinister grimaces and ticks, a consummate villain from the outset. The lines "Cheated of feature by dissembling nature/ Deform'd, unfinished . . ." are delivered — in a bald translation — in the same tone as the rest, making Richard's deformity just a swmptom of his inner corruption, rather than a casual element.

An ominously grey stage with convenient traps and occasional backdrops serves as an admirably multi-purpose set to sustain the play's rhythm of carnage. The rest of the cast, in striking, brightly coloured costumes and wigs, verge on the surreal — an atmosphere reinforced by curious background snatches of the tune "O sole mio."

Georges Vavaudant slips into the grotesque, however, by having the vituperative Queen Margaret played in drag, and bad drag at that. Philippe Morier-Genoud, whose voice falters between *something* bass baritone and badly mastered falsetto, is more of a refugee pantomime dame than a vindictive former sovereign.

A similar misplaced sense of vaudeville creeps into the murder of Clarence, whose clown-like assassins in black sequined shirts and white gloves tease rather than threaten. Instead of increasing the horror of the scene, the device deflates it.

Georges Lavaudant has Richard, as he hears of the arrival of his enemies, line up glass after glass of red wine on a table. The scene would have been more effective if Ariel Garcia-Valdes had changed emotional key, instead of playing the part like a passionless automat heading for military disaster.

The last fatal clash between Richard and Richmond is admirably staged. Elsewhere there is insufficient grip on the text, and too many tricks, including that almost obligatory instrument, the stroboscope, to compensate.

Arts Guide

Music/Monday. **Opera** and **Ballet**/Tuesday. **Theatre**/Wednesday. **Exhibitions**/Thursday. A selective guide to all the Arts appears each Friday.

Feb 8–14

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Händel's Messiah will be presented in a scenery vision by Achim Freyer. The cast includes Harald Stamm, Cheryl Studer and Ruthild Engert. Tosca is sung in Italian. Salome brings together Lisbeth Balslev, Ruth Hesse and *Ingvar Wixell. Der Troubadour is* a Herbert von Karajan production. (34381).

Hamburg, Staatsoper: Ballet: Hommage à George Balanchine (in memory of George Balanchine) Die vier Temperamente, Mozart 338, Tchaikovsky's Pas de Deux choreographed by George Balanchine and John Neumeir: three ballets: Regenlieder, Kinderszenen and Mahler's fourth symphony choreographed by John Neumeier, Soloists are Alessandra Alberti, Lynne Charles, Chantal Lefévre and Eduardo Bertini (351151).

LONDON

Royal Opera, Covent Garden: A second viewing of this season's new production of Der Rosenkavalier, which opened in December – a lightweight, not fully worked staging by John Schlesinger which receives more than its due in the conducting of Georg Solti. For the first performance the principals are the original ones – Kiri te Kanawa, Agnes Baltsa, Barbara Bonney, Aage Haugland; thereafter, Anne Howells takes over as Octavian. Also, La Traviata, with Ileana Cotrubas as Violetta and Colin Davis conducting. (2401066).

English National Opera, Coliseum: Iain Hamilton's Anna Karenina, which the ENO successfully staged a couple of seasons ago, returns for its first revival; Lois McDonall again takes the title role, alongside newcomers David Hillman and Roger Roloff (the American bass-baritone making his British debut). Jonathan Miller's updating of Rigoletto to the early 1950s in a New York setting, probably the ENO's most celebrated production for many years, is back in the repertory in excellent shape. (8363161).

PARIS

Alexander Dargomyjski's Le Convive de Pierre based on Pushkin's version of the Don Juan myth is an opera essentially vocal and rarely performed. Conducted by Jean-Claude Casadesus in an Otomar Krejca production, Don Juan is sung by Allen Cathcart, Dona Anna by Mariana Nicolesco/Helene Garetti and Laura by Glenys Linos/Eva Saurova. Salle Favart-Opera Comique (2960611).

Tristan and Isolde conducted by Marek Janowski in a new production, co-produced with the Cologne Opera with Tristan sung by René Kollo/William Johns, Isolde by Ute Vinzing/Gwyneth Jones and Brangäne by Nadine Denize/Waltraud Meier at the Paris Opera (742.57.50).

ITALY

Rome: As part of the celebrations this year, to mark the 300th centenary of his birth, Händel's opera Giulio Cesarè, conducted by Gabriele Ferro with Margarita Zimmerman singing the role of Caesar and Kaaren Erikson as Cleopatra (taking over Monserrat Caballe's role). The costumes are by William Orlandi and the scenery by Anne and Patrik Poirier. (46.17.55).

Turin: Teatro Regio: A new production of Manon Lèscaut conducted by Michelangelo Veltri, with scenery and costumes by Pasquale Grossi, with the soprano Maria Chiara making her Italian debut in the title role (54.80.00).

NETHERLANDS

Diaghilev programme from The National Ballet, Les Biches (Nijinska), Apollon Musagete (Balanchine) and Petrushka (Fokine). Amsterdam, Stadsschouwburg (242311); Gröningen, Stadsschouwburg (182333); Utrecht, Stadsschouwburg (310241).

The Netherlands Opera in Orlando directed by Filippo Sanjust. The Radio Chamber Orchestra under Nicholas Kraemer, with Jard Van Nes in the title role and Ann Dawson as Angelica. Amsterdam, Stadsschouwburg (242311).

VIENNA

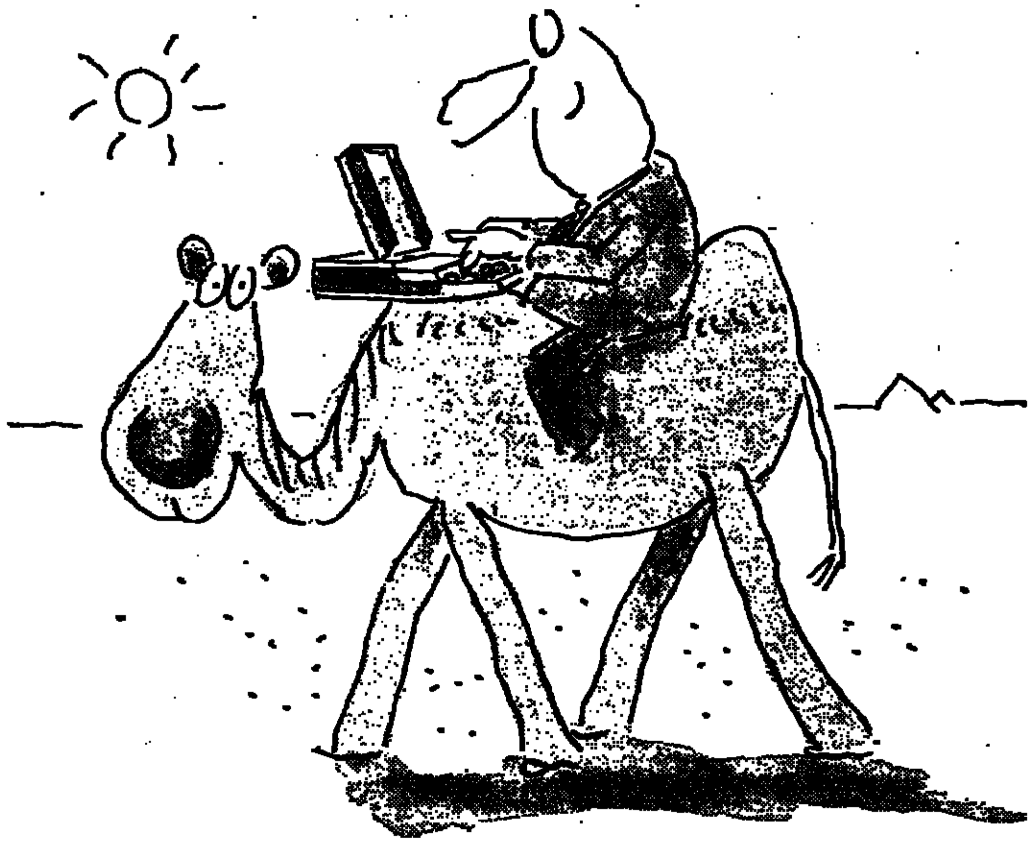
Staatsoper: Raymonda by Petipa, Nureyev and Glasunov: conducted by Schirmer; Wozzeck conducted by Hollreiser with Armstrong, Jahn, Berry, Moser; Die Fledermaus, conducted by Kulka with Ghazarian, Hintermeier, Gruberova; Tosca conducted by Arena with Dimitrova, Pavarotti, Wixell. (5324/62657).

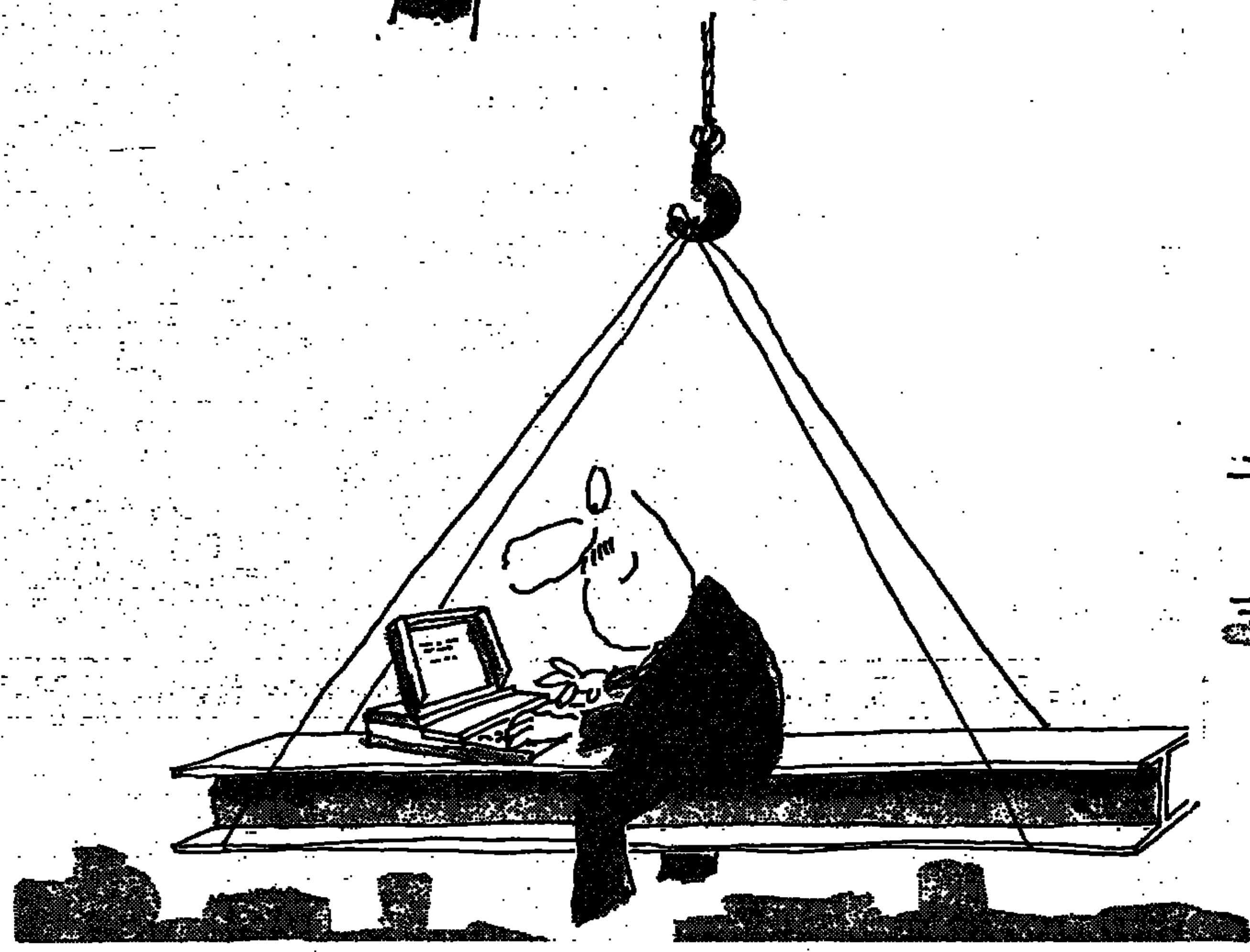
NEW YORK

***Metropolitan Opera** (Opera House).* James Levine conducts the premiere season of Nathaniel Merrill's production of Porgy and Bess, designed by Robert O'Hearn, with sopranos Grace Bumbry and Myra Merritt, bass Simon Estes and baritones Charles Williams, Gregg Baker and Bruce Hubbart. James Levine also conducts Lohengrin, with Anna Tomowa-Sintow, Eva Marton and Placido Domingo and the last seasonal appearances of Wozzeck, with soprano Hildegard Behrens and baritone Christian Boesch. The week includes Placido Domingo conducting La Bohème, with Catherine Malfitano; Neeme Jaervi conducting Eugene Onegin, with Kay Griffel and Leo Nucci. Lincoln Center (3626000).

TOKYO

Japanese Classical Dance: Some of the leading dancers including Han Takebara, Yachiyo Inoue (honoured by the Japanese Government for his dedication and skill), celebrate the 30th anniversary of the Association of Classical Dance. National Theatre (Wed. Thur). (5336455).





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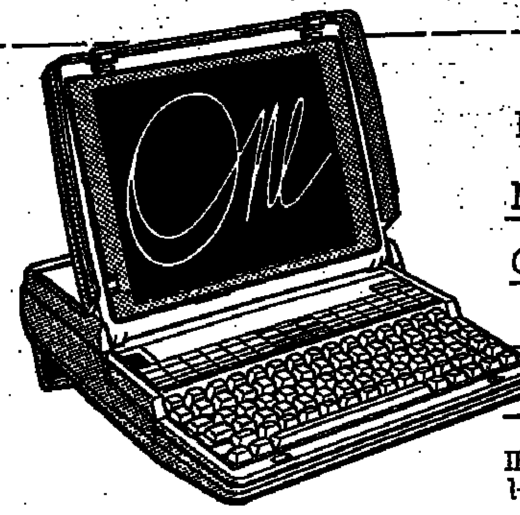

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Tuesday February 12 1985

The law is an ass

THE fundamental function of the often maligned jury system is ultimately to apply sound *common sense to the theatrical* and legalistic rhetoric of courts of law. The jury of eight men and four women in the Clive Ponting case yesterday performed that function admirably: after 11 days of trial *during which it became clear* that the judge's interpretation of the law would have required a conviction, they took less than three hours to reach a unanimous verdict to acquit.

This welcome verdict raises a host of fundamental issues, the two principal ones being the future of Section Two of the 1911 Official Secrets Act, and the rules governing the behaviour of public servants.

Mr Ponting, a Ministry of Defence official with detailed knowledge of the Belgrano sinking during the Falklands War, believed Mr Michael Heseltine, Defence Secretary, was misleading Parliament *about what really* happened. He therefore sent two documents, one confidential and one unclassified, to Mr Tam Dalyell, the Labour MP pushing the Government for information.

The jury accepted the defence that Mr Ponting's principle duty as a servant of the state was to the supremacy of Parliament rather than to an individual minister.

More thany anything else the verdict again highlights the shortcomings of Section Two of the Official Secrets Act. This makes it an offence to supply any "official" information which the Government does not want disclosed to an "unauthorised" person.

In 1972 a committee chaired by Lord Franks declared that Section Two was a "mess," its catch-all provision being "saved from absurdity only by the sparing exercise of the Attorney-General's discretion to prosecute." Between 1916 and 1979 there were 34 prosecutions; but since 1979 there have been 16. Mr Leon Brittan, Home Secretary, thinks it *should be amended; Sir Michael* Havers, Attorney General disapproves of it—yet has used it more than any Attorney General since its introduction.

The problem, faced and ducked by every government since Franks, is to find something to replace a repealed Section Two. To save itself further embarrassment, the Government might now usefully make a serious attempt to find an answer.

Whatever else, any long-overdue reform needs either to avoid or refine closely the phrase "interests of the state." Mr Justice McCowan's original inclination to direct the jury to convict, rejected by defence and prosecution alike on Wednesday, apparently stemmed *from his view that the interests* of the state are synonymous with the policy of the government of the day. The jury appears to have concluded correctly that the state embraces a much wider range *of institutions, including* the crown, judiciary and church. It is equally difficult to see how the national interest can be served by a minister misleading Parliament.

These issues are not confined to *Britain. In the U.S.* Sarah Tidsdall and Clive Ponting could never have faced trial, the Freedom of Information Act making "leak" trials possible only where crime or espionage is alleged. Daniel Ellsberg incensed the Nixon administration by leaking Pentagon papers on the Vietnam War to the New York Times but could only be accused of illegally possessing government documents.

Investigation

But even under a much-needed freedom of information measure to allow disclosure of and access to a much wider range of official information, some system of internal discipline and procedure would be needed for public servants. Governments would still require some matters to be confidential, and civil servants would need a framework within which to work if they felt that the higher authority of Parliament was being misled or abused.

The U.S., which carefully defined rules in both the Freedom of Information and the Civil *Service Reform Acts, again* shows one possible way forward. The British civil service unions suggest another with a code of conduct, making a civil servant's first line of approach through departmental head, permanent secretary and head of the civil service who has access to the Prime Minister. Ministerial attempts to mislead Parliament, such as that alleged against Mr Heseltine, could be reported to departmental heads who could report to either the Ombudsman or the MP chairman of the appropriate Commons select committee. These ideas merit further investigation.

It is not likely that the special circumstances surrounding the Ponting case will let loose a torrent of sensitive leaks from government departments. More to the point is what the Government intends to do. If it procrastinates further, allowing eventually another Section two prosecution, it will be abrogating its duty under any definition, except perhaps Mr Justice McCowan's, of the wider national interest.

A new kind of bus service

BUSES are clearly an emotive subject, as anyone who ever travels in one or waits for one will know, though their use has declined dramatically over the years. Since 1953 bus and coach passenger miles have gone down by half and the bus share of total travel in Britain has *descended from 42 per cent to* 8 per cent. At the same time, the costs of operating the services—at least as most of them are presently run—have risen way beyond the rate of inflation, and way beyond the rise in the cost of running a private car or using a taxi or mini-cab. The fares have risen sharply, too, despite subsidies.

The result has been that rural bus services have diminished and that subsidies in urban areas have become unacceptably high. Precisely because buses are such an emotive subject, however, the Government's attempts at reform are facing considerable opposition, not least from its own back benches —as no *doubt today's debate in* the House of Commons will show.

Yet the proposed legislation is a perfect micro-illustration of what the Thatcher administration at its best is trying to do. *Unlike some of the Government's* other ventures, such as abolition of the metropolitan authorities and the Greater London Council, it has also been quite carefully prepared. There was the Transport Act *of 1980, for example,* which did away with road service licensing for long-distance coach services (over 30 miles). It was much criticised at the time, but the new services introduced have became a way of life and fares have fallen.

The new Transport Bill is an attempt to go much further by extending competition to all bus services outside London. Opposition to it seems largely to be based on the fact that it is a break with tradition. That is what is good about it.

There is no obvious reason why buses and bus services should remain what they used to be. The usual concept is of a vehicle of a certain size, travelling established routes at scheduled (though in practice irregular) times. All that could be changed. Buses could be smaller, some of them much smaller. They could operate as large taxis carrying more than one set of passengers, as has been the successful practice in *Mexico City.* The *traditional* routes are not necessarily the right ones. There might be a need to establish new ones linking high-population areas with out-of-town shopping centres. There could be a *requirement for more frequent* services which would fit well with smaller vehicles. This has already happened in Exeter.

Subsidies

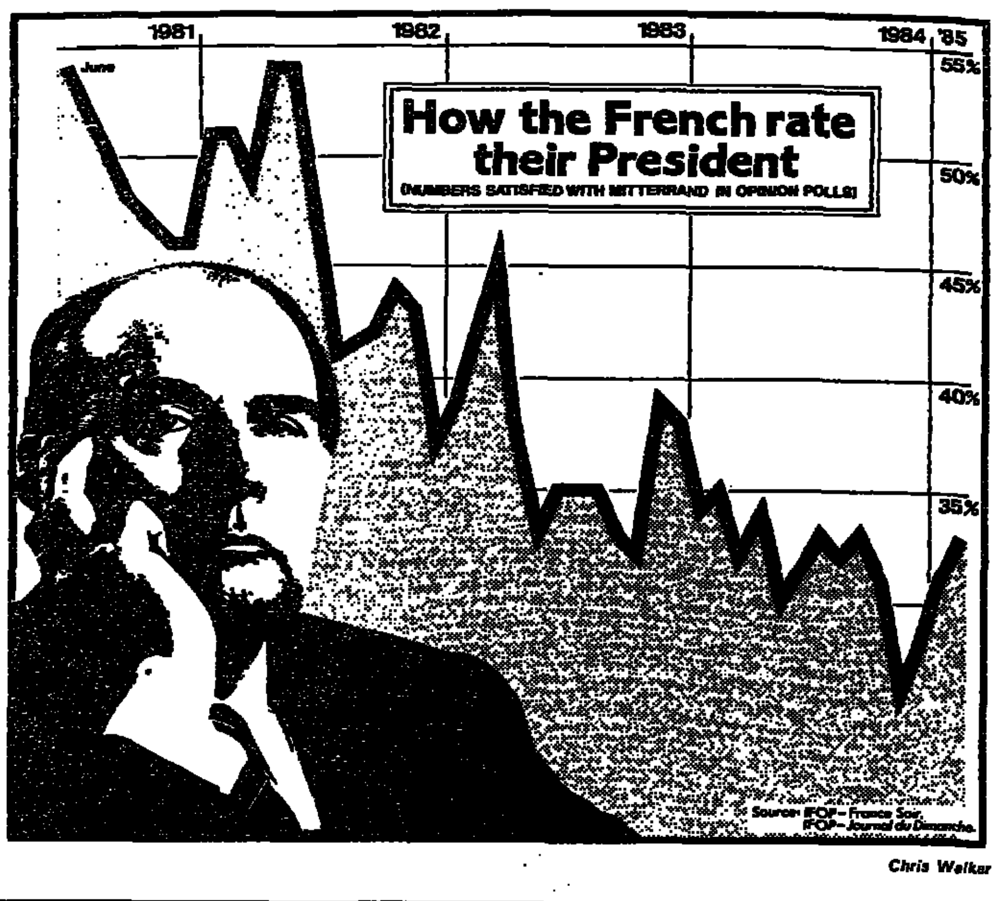
The trouble with the present system of regulation is that there is virtually no incentive for change—only a continuing loss of passengers accompanied by a rise in subsidies and in fares. Competition would provide flexibility. It might also meet popular demand, for there must be many people who would prefer to take a bus rather than their car provided that they knew there was a reliable service. Not least, competition would open the way to productivity agreements on a company-by-company basis which would reduce operating costs. The experience of the long-distance coaches has demonstrated that; so have the limited experiments in deregulating urban services so far.

It has been suggested that an interim solution lies in putting the services out to franchise. It might save some money, but the evidence produced by the Department of Transport indicates *that it makes sense to go* further. The Government has one other point to answer. It is feared that deregulation would mean some rural services being abandoned altogether. On the contrary, the aim should be to subsidise those services which are socially necessary. The subsidies should become much more discriminate. Mr Nicholas Ridley, the Transport Secretary, should make it absolutely clear that that is his intention today.

France's electoral marathon

Mitterrand: now the real battle has begun

David Housego in Paris reports on the President's bid to *capture the middle ground*



Chris Walker

FEW *other* countries in Western Europe conduct their politics with such a sense of theatre as does France. Currently opening on the French stage is a long playing electoral drama that will *last at least until well into next* year.

The prelude is provided by the local, or cantonal, elections for which the French go to the polls in two rounds on March 3 and 10. The denouement will come *with the Parliamentary* elections in the Spring of 1986.

It is by no means impossible that the performance will end with such a rout for the Socialists next year as to drive President Mitterrand from the Elysee in its wake. More probably, the result of the 1986 elections will be less conclusive leaving a messy situation in which a right wing National Assembly is in conflict with a Socialist President—thus depriving France of effective government until the Presidential elections in 1988. Betwixt and between lies a plot thick with surprises.

On any cold analysis of electoral strength, it is difficult to see ho wthe left can avoid electoral defeat in 1986. At the last test of strength in the European elections of June last year, the left (including Socialists, Communists and minor left wing *groups) gained only 40 per cent* of the vote against the 60 per cent marshalled by the combined opposition (the neo-Gaullist RPR, the centrist UDF, the extreme right wing National Front and various minor right wing parties). That represents a gap almost unprecedented in French electoral history where victories have tended to be won by narrow margins.

Both the Socialists and President Mitterrand have recently had more bounce to their stride. But there is nothing in the present situation of France running an economic growth rate lower than that of her European partners, of unemployment hover*ing close to 2½m, and of a Com*munist party transformed from ally into vitriolic opponent (as *was shsown* in the 25th Congress of the party which ended on Sunday) to suggest that the Socialists can claw back that gulf.

Nonetheless the message from the Elysee is that the outcome of the battle next year is by no means certain. The Elysee bases its confidence on *three factors. The first* is the major changes in French society and attitudes that have occurred in recent years and which make voting patterns more unpredictable.

The second is that the Government has plenty of ammunition up its sleeve from improvements in the economy to electoral reform and the divisions amonog its opponents. This could be enough to deprive the right of the outright victory that it needs in 1986.

For if the Government cannot hope to maintain absolute control in the National Assembly after 1986, it can hope for an Assembly sufficiently divided — and above all one in which the classic right has to depend on the support of the racist supporters of M Jean-Marie Le Pen's National Front to obtain 50 per cent of the seats — to give M Mitterrand the room to manoeuvre that he needs to remain in the saddle until 1988.

The third factor — less trumpeted at the Elysee—is that M Mitterrand is one of the most adroit and long run*ning performers on the French* stage, and that as President under the 5th Republic he has more power than any other western head of government. His pugnacious speech at Rennes ten days ago and his combative tour of Picardy last week show that the old "pro" is back in the arena in fighting form.

It is worth taking the sociological changes first because, if they are the least tangible, they also explain a lot about M Mitterrand's strategy. In their different ways economic recession (coming after an un*paralled period of post war pros*perity) and three-and-a-half years of Socialist rule (in the wake of 23 years of right wing government) have each brought about fundamental changes in attitude.

France is a country far less sure of itself (one of the reasons why in the first place it opted for M Mitterrand's avuncular socialism). It is in the process of swapping an historic trust

in the benevolence of the state for a hearty distrust of state intervention (hence in part the revolt last year in defence of the private schools); it is increasingly sceptical of ideologies (both Marxism and the Communist party seem to be sliding to a footnote role in French history); it is pre*occupied more with local family* issues than national dramas (the outcry over the quality of education, jobs, delinquency and immigration); it is disaffected with its politicians (which explains in part the rise of M Le Pen): but it values those with a reputation for clearsightedness and intellectual honesty (hence the popularity of M Raymond Barre, the former Prime Minister).

*It is a country that has be*come impatient of its ageing monoliths, like the trades unions, the Communist party, or the state broadcasting monopoly. But it is also a country that has become far more aware of international economic realities and the logic of international competition which has produced a growing consensus over economic policy and an acceptance of the disindexation of wages.

Some of these changes show up clearly in public opinion polls. One published last week showed that 59 per cent of the French believe that liberal economic policies will encourage economic growth—an extraordinary turnabout from the trend in 1981 that brought to power a government committed to large-scale nationalisation. Nearly all of the changes push in a conservative or liberal direction.

Since 1983 M Mitterrand has adjusted his political sights accordingly. In the summer he *replaced as Prime Minister* M Pierre Mauroy, a generous-hearted Socialist who believed in the locomotive role of the state, by M Laurent Fabius, who makes a virtue of being liberal and non-interventionist.

In M Jean-Pierre Chevenement he now has a Minister of Education who is enforcing in the schools the conservative values of "merit, effort and patriotism." In industry, the sacking of M Bernard Hanon as head of Renault was a symbolic move against a man who mistakenly gave priority to good relations with the unions

Thus M Mitterrand, who in his long political career has *covered the distance between* a young Catholic politician of the right to the architect of a Socialist alliance with the Communists, is in the process of achieving another transformation.

In a speech in Aquitaine in October he said that it was clear that the French were "not enchanted with the [Socialist] film they are watching today." But they were no more taken by the previous (right wing) performance. "Is it possible," he asked, "to construct another scenario? And could it be with the same actors or with others?"

In other words, against the extremes of both left and right and against the faded charisma of former President Giscard d'Estaing or M Jacques Chirac, the head of the RPR, M Mitterrand is seeking to stake out a new middle ground that will rally all Frenchmen of sound sense and good will.

There is no reason why French voters should accept this more centrist tilt from a man they voted in three-and-a-half years ago to carry through a Socialist programme—and perhaps they never will. But what is clear is that they will not have had time to make the adjustment by the spring of next year when the Parliamentary elections are due.

M Mitterrand needs to do two things between now and 1986 if he is to achieve the divided *National Assembly that could* give him and the Socialists a second wind in 1988. Both are difficult but not impossible.

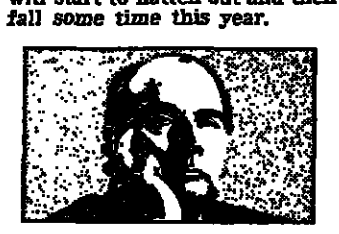
He needs to maintain a sufficiently large Socialist representation in the National Assembly so that they could be a component in a new government after 1986. He also needs to maintain the divisions btween the RPR and the UDF (the orthodox parties of the French right) while ensuring that the extremist National Front is also well represented in the Assembly. Thus if the UDF and the RPR cannot obtain enough seats on their own to form a government in 1986, they will be forced to choose between the devil and the deep blue sea—between a coalition with M Mitterrand or with M Le Pen. There are already signs that a good many Gaullists and centrists would prefer an alliance with M Mitterrand.

In the hope of achieving this goal, M Mitterrand intends to bring in proportional representation for the Parliamentary elections instead of the present *system of single constituency* majority voting.

But even with this tipping of the scales—the left wing *Nouvel Observateur* magazine calculated this week that under the present voting system, the Socialists would be cut-down to about 50 seats in the Assembly from their current strength of 269—the Socialists have no *easy task.*

Their share of the vote has slipped from a peak of 39 per cent in the Parliamentary elections of 1981 to only 21 per cent in the European—and they expect to do badly in the cantonal elections as well.

Against this, the strength of the Government's case is their tenacity. They opted for an unpopular economic policy and they are now beginning to reap the first signs of success in a falling inflation rate, an improvement in the balance of payments and healthier corporate profits. The Elysee is confident that unemployment will start to flatten out and then *fall some time* this year.



Between now and the election, there are nonetheless still plenty of banana skins on which they could trip—the result of having their room for manoeuvre reined in by a still substantial budget deficit, the upward pressure of interest rates, a volatile dollar and a sizeable foreign debt. Any over-generous pre-electoral giveaways would quickly show up in renewed pressure on the franc.

The opposition starts from the advantage that on the basis of the European elections it commands 60 per cent of the votes—but they are votes divided between parties as diverse as the liberal UDF and the racist National Front and *whose leaders have a long poli*tical record of stabbing each other in the back. It is because of the damage this squabbling has done to their credibility and the fear that M Mitterrand would be able to exploit their differences in a new Assembly, that the orthodox right are now making such determined efforts at unity.

The Socialists cannot hope to do well electorally unless M Mitterrand recovers more of his popularity. After looking downcast at the end of last year, and being projected in the Press as a pale figure on the way out, he has recovered his punch.

The battle over the coming months promises to be hard. M Mitterrand (and the Socialists) face what is likely to be another humiliating defeat in the cantonals; a major row over proportional representation; and another nasty controversy over the future of New Caledonia.

M Mitterrand's staff at the *Elysee believe he will stay on* as President whatever happens in 1986 and that he will not allow himself to be pushed aside as a figurehead, as the Opposition clearly intends if it cannot get rid of him.

They point to the immense powers of the President, to his right to dissolve the National Assembly, and to the continuing economic problems that will bestrew the opposition's *path as they try to implement* their own programme. *Most of* the opposition is also working on the assumption that they will have to deal with M Mitterrand after 1986.

The exception is M Barre who *fears* that firm government will be possible between 1986-88 in the event of a conflict between a right wing Assembly and a Socialist President and that France could be condemned again to the political confusion of the 4th Republic. He thinks that M Mitterrand will have the decency to step down to protect the honour of the Presidency if the left should suffer *an overwhelming defeat. If he* were right, M Mitterrand could be entering his last 400 days.

Industry of Grantham girls

Grantham, Lincolnshire, is winning a special reputation as a cradle of high-powered women.

The latest dynamic female to emerge from the home town of Margaret Thatcher is Jean Parker.

Mrs Parker, aged 51, becomes vice-chairman of the *Confederation of British Indus*try's smaller firms council and will become chairman next year. She is well equipped to crusade on behalf of Britain's entrepreneurs. Not only was she at Grantham Girls' School at the same time as Mrs Thatcher (although several years junior to the future pm) but she also runs her own 25-year-old col lection of family companies called the Langpark Group.

Her diverse range of businesses includes Minerva Fine Arts, a gift marketing company, and a property group which develops small workshops.

Mrs Parker has only met Mrs Thatcher once in the last ten years. And she staunchly denies that their schoolgirl connections mean that she will have an extra-warm welcome at Number 10. But it would be surprising if they do not find their paths crossing more frequently in the future.

When they do meet Mrs Parker will have plenty to say to her fellow Granthamite. She is particularly worried about the pound's weakness, for instance. She says: "I don't think that the Government always realises what repercussions their actions throw on to small businesses."

Road safety

That shrine *of racing drivers,* the Bugatti circuit at Le Mans, France, is to be the setting for an unusual business seminar in May.

Instead of attending themselves, however, a number of the *very rich and very famous* will be sending their chaufurs. A five-day course will be devoted to teaching top people's drivers how to keep their employers safe from bandits, terrorists, hi-jackers, common criminals, and other impediments to unruffled passage along the roads.

The Office de Recherche d'Organisation et de Securité, which is organising the course, says "the times are long past when, to be a chauffeur, you had simply to be devoted and well brought up."

As well as being taught to spot a criminal type at long range the chauffeurs will be instructed in driving in true Le Mans style to get out of a tight corner.

All admirable preparation for *London's rush hour traffic.*

Men and Matters

Fortune's wheel

Investing in casino companies like Aspinall Holdings, as *managing director* John Aspinall has made clear, is not to be recommended for widows and orphans.

So there were no anxious murmurs among shareholders when he advised them to expect *wide swings in the "luck fac*tor" at the Curzon casino in London's Mayfair. The national average house take is 19.5 per cent of the "drop"—just about the Curzon's take last year—but it could vary in any year between 15 and 25 per cent.

"At one point we were minus 3 per cent after a few weeks." Aspinall said.

But he abhors small-time gamblers as much as small shareholders. "We're a little *ashamed of anyone who's not* capable of losing £3,000 a night."

Apart from backing director Sir James Goldsmith's ventures on the U.S. stock market, Aspinall is going in search of *other high-rollers with a casino* in Darwin, in Australia's Northern Territory.

That may seem an unlikely place to find them—but Aspinall sees it as a future haven for big gamblers from all *over South East Asia, once* more direct flights have been arranged. Wealthy punters in the region are starved of gambling opportunities, he believes. "They trust Englishmen who look like me—maybe *to their cost," he joked.*

"More complaints—you're not an MP travelling on a second class ticket are you?"

Indian hat-trick

India's ministry of defence production secretary, M. C Sarin, *who has gone on leave* six months before retirement because one of his staff is named in the country's spy scandal, insists that he has left voluntarily.

And that would be a hat-trick for *Sarin. He has quit twice* before after rows with ministers during a long and distinguished public career. In 1971 he was one of four executive directors of India's state trading corporation who left when the commerce minister of the time tried to dictate whom Sarin should employ and promote.

In 1979 he resigned as Indian Airlines chief executive because the government failed to defend his chairman who was *under political attack.*

This time, although the government says he was asked to go on leave, he insists he has vacated his office in protest at the government's refusal to comment on newspaper leaks and court confessions on the spy scandal.

His crime in the government's eyes is that he did not stop his office staff leaking photocopied documents to the spy ring.

As a precaution, his photostat machine was kept in his own room rather than an outer office. "The problem is that you never think of locking up a photostat machine when you leave the room," he says at his Delhi home as he looks forward to hours of freedom on his beloved hobby — growing 200 varieties of cactus.

Without number

Old habits die hard at British Telecom. A colleague has been lent a car telephone by Cellnet, the new cellular radio service, which started last month. He turned to it with some relief *when he got stuck in a traffic* jam on London's Embankment, late for a meeting at the Howard Hotel.

He 'phoned directory inquiries and asked for the hotel's number. "That's not a mobile *is it?" asked the operator.* "We don't have any directories for land lines at the moment and I can't connect you to the main inquiry service."

With BT investing millions in the new service, you might have thought it would consider a directory inquiry service vital for anyone trying to telephone from a car.

Word of warning

Graffiti at the entrance to a West Midlands Labour Club: "Beware of the dogma."

Observer

Letters to the Editor

Real wages and unemployment

From the Vice President, Director of Economics—Europe —Middle East Area, Chase Manhattan Bank

Sir,—In his article on unemployment and pay (February 6) Professor Nickell points out that real wages are not determined solely by nominal money wage bargaining but depend also on what happens to the price level; and, further, that the relationship between money wage behaviour and real wage behaviour depends on what happens to the price-wage mark-up which depends, in part, on the level of nominal demand. In concluding from this that there is no particular aggregate relationship between real wages and employment, he seems to be suggesting that the mark-up is solely a residual in the equation. While this may well be true in the short run, it is hardly likely to be true in the long run.

In the short run, faced with a money wage explosion, firms may have to accept a temporary cut in their mark-up, so that for a given level of nominal demand, employment may be unaffected although real wages have risen. In the longer run, however, it seems probable that firms have an objective for their mark-up (related to desired return on capital etc). Sooner or later they will try to adjust the mark-up back towards its initial or desired level. For the same level of nominal demand, real demand will now fall and so will employment even though the real wage will also be falling. To conclude from this episode that there is an arbitrary relationship between the real wage and employment would clearly be fallacious. It is evidently clear that the attempt of labour to force a rise in its real wage provides the fundamental cause of the eventual rise in unemployment.

The Government is perfectly right to stress the need for real wage as well as money wage moderation even though they are not easy to achieve. Clearly, an increase in nominal demand will have a greater impact on employment, the smaller the rise in both the price level and the average productivity of labour across the economy as a whole. The smaller the rise in money wages, the less need there is for productivity to rise to keep down inflation; while the less real wages rise, the less is the pressure on employers to raise labour productivity. Thus real wage moderation no less than money wage moderation is required to bring about an increase in employment.

Of course, this leaves open the question whether the Government is presently over-restricting the growth of nominal demand.

(Professor) Geoffrey Maynard.
Woolgate House,
Coleman Street, EC2.

Closing pits in South Wales

From the Deputy Director (Administration), South Wales Area, National Coal Board

Sir,—Mr Glyn (February 6) finds the response of the NCB (S Wales area) to his report "wholly unconvincing." Well, he would, wouldn't he? After all, you don't ask a barber if you need a haircut; but, in describing why he is unconvinced, he misrepresents our case. We are not arguing that our collieries in South Wales are "protected from closure because of the specialised coals they produce." If Mr Glyn re-reads our response he will find that we can only realise the benefits which our specialised fuels confer "provided (we) continue to cut costs." Our strategy is designed to do just that and to do it without swingeing closures and without compulsory redundancies.

If Mr Glyn doubts our ability to deliver he might consult his well-thumbed copy of the NCB report 1983-84. At Schedule 7 he will find that in that year despite inflation, overtime ban and start of present strike, South Wales collieries reversed the trend of decades and actually produced coal at lower unit cost than in the previous year; and if Mr Glyn consults Table 5 of his own report, and overcomes his obsession with "the biggest loss-makers in the country," he will find that Betws Colliery is, on his own figures, the second most profitable colliery in the UK and that two other South Wales collieries, Marine and Deep Navigation, feature in his "top twenty." In brief, we do not enjoy some form of natural immunity from competition. Our destiny is in our own hands. Cost reduction, not protection and providence, will keep out imports provided the present dispute has not irrevocably soured our markets.

Mr Glyn displays the merest hint of intellectual arrogance when he claims that we ignore the "central point" of his report. In Cardiff, if not in Oxford, the central point of his report is that assertion that 20 collieries in South Wales will close to make way for English power station coal planned to come on stream over the next sixe years. The intellectual slip is beginning to show when Mr Glyn argues that our strategy of about half a dozen closures in the next two years "is consistent" with his 20 closures in the next six years. Is it a natural law of economics that what happens in the short-term (two years) can invariably be projected into the longer term? To put it in another way, if two pints of beer make one of Mr Glyn's students feel good, do 10 pints of beer make said student feel five tive as good? The intellectual stocking-tops are glimpsed when Mr Glyn argues that "continued silence would indicate that the NCB have no answer." Mr Glyn should consult the example of Count von Moltke who, while contributing decisively to events, "stayed silent in seven languages."

R. Proctor.
Coal House,
Ty-Glas Avenue,
Llanishern, Cardiff.

Pension–a practical problem

From the Pensions Manager, Norwich Union Life Insurance Society

Sir,—Your leading article "The taxation of pensions" (February 5) smoothly ignores at least one practical problem.

Should the investment income of pension funds be taxed what about existing pensioners? If nothing is done to help them then their pensions must be cut.

If the employer is unable, either because of lack of resources or because he is now out of business, to cover the cost of the taxation then the expected pensions of those who have yet to reach retirement must be reduced. Either way it will be necessary for the Government to pass legislation relieving trustees of pension funds of the possibility of being sued for breach of trust.

In the case of pensioners being paid by insurance companies there is the alternative of the insurance company stealing the required assets from other policyholders. Of course, if pensions represent a high proportion of an insurance company's business then it may have no alternative but to declare itself insolvent.

Perhaps we could now have a further leading article indicating your preferred solution to the plight of the pensioner.

Am I to assume that unfunded public sector pensions will not be affected by a tax on investment income and that the whole burden will, therefore, be borne by the private sector?

E. J. Brister.
P.O. Box 4,
Surrey Street, Norwich.

The future of smaller mines

From Shirley Pickett.

Sir,—In considering the timescale of the proposed closure of uneconomic mines, it might help to resolve the on-going deadlock between the National Union of Mineworkers and the National Coal Board, if the concept of "immediate" closure could be shifted to "phase out."

While this is probably not feasible from the NCB's point of view of large-scale operation, if the mines concerned could be de-centralised from the NCB and re-created into small and medium-sized individual units then it might be possible to run them until the coal eventually runs out.

The mechanism to achieve this, could be the creation of miners "worker-co-operatives," with the miners given the opportunity to take-over or effectively "buy-out" their mines. The areas affected could perhaps be declared "coal redundancy areas" and as small and medium sized enterprises the worker-co-operative mines might attract funds from the European regional development funds for consultancy, common services, help on technological innovation and information, and for facilitating access to risk capital. At the same time a co-ordinating company could be set up to help the co-operatives to create enterprise trusts, and through them possibly attract selective financial assistance from the Department of Trade and Industry on preferential terms.

The time gained through the natural course of attrition and gradual phase-out of the so-called uneconomic mines would allow miners in mid- or late-career to retain their jobs until retirement. It would give younger miners the opportunity to transfer to an NCB mine, or to retrain for another career. The management knowledge gained in running a worker-co-operative would enhance their work experience, and open more opportunities for jobs in other businesses.

Shirley Pickett,
54, East Smithfield,
Royal Mint Square, E1.

Schmidt's external politics

From Mr K. Wentzel

Sir,—It has taken me some time to respond to Peter Jay's "comments" (February 2) on Jonathan Carr's book, "Helmut Schmidt: Helmsman of Germany."

I hope, however, that Mr Jay feels much better now that his "review" has appeared in your paper, in which it seems that he off-loaded all of his personal frustrations concerning Schmidt's external politics, but completely failed to review the book. Thank goodness that we have journalists like Jonathan Carr, who have a considerably better understanding and analytical capabilities than the ex-ambassador to Britain in Washington.

Mention the name Helmut Schmidt, and everyone has a clear understanding of a great statesman; but then who is Peter Jay? Having worked my way through his article, I cannot wait to get Carr's book.

Kristian F. Wentzel.
15, Ashlone Road, SW15.

Competition and freesheets

From the Editor, In Business

Sir,—Ian Hamilton Fazey's case against freesheets (Lombard, February 1) deserves a reply.

His defence of "local rags" as "an inextricable part of democracy" is praiseworthy, but the competition provided by a free newspaper has often shaken those managing and editing the paid-for variety from a state of monopolised torpor into a greater awareness of the needs of their local community and advertisers.

While agreeing that the editorial content of many freesheets is appalling, I am not sure that the answer is either to charge for the product or to engage more journalists in order to increase revenue and editorial standing.

If income is a measure of a newspaper's worth, then many paid-for weeklies, and dailies, are worthless, even if they are staffed by more journalists than those employed by freesheets. It would be more to the point to question the quality of the journalists concerned.

Mr Fazey pays no attention to the wide range of commercial and business publications — among other specialised areas — many of which are free and which provide advertisers with the audiences they require.

Such publications exist to inform a particular audience with readable stories and features relating to their particular interests. They also provide advertisers with an opportunity to reach a particular market. Doubtless they are "rammed through people's letter boxes," but they happen to be the right letter boxes.

I believe that at the end of the day market forces, the consuming public, dictate what a market gets. It was, I think, John Osborne (no relative) who once described one national newspaper as "written by people who cannot write, and read by people who cannot read." The newspaper is long since dead.

Colin Osborne.
The Old Forge, Ripple,
Tewkesbury, Glos.

U-turns on UK airports

From Mrs P. Nason.

Sir,—The Government's dilemma in deciding the future of Britain's airports raises several issues.

Not least of these is "the credibility of the public planning inquiry procedures in the UK for settling major development issues." Communities in the huge area already adversely affected by only a three terminal Heathrow were given an unequivocal promise by Government in December 1979 when terminal four was approved (after a lengthy planning inquiry exposing the environmental damage wreaked by the airport) that: Heathrow's expansion would be limited to four terminals; and air transport movements at Heathrow would be limited to 275,000 each year. Frequency and numbers of over-flying aircraft is the burden. Hence the vital importance attached by the Heathrow communities and residents to this pledge. These promises were given as part of the public planning inquiry procedures. Moreover there is particular bitterness in what is seen as the manipulation of planning procedures which brought the issue of any fifth terminal into an inquiry on the expansion of Stansted airport.

As if these factors were not enough, British Airports Authority, in 1983, flooded the area with literature and ran public meetings to oppose terminal five—ie any expansion beyond the fourth terminal which is not even open nor are its effects even felt, not least on traffic. Mr Justice Glidewell the T4 planning inspector, wrote then that "Heathrow is London's largest generator of road traffic."

Two years later, in January 1985, British Airports Authority after spending vast sums of money, not only in mobilising public opposition to T5 and spending vast sums of money on being legally represented throughout the two and half year inquiry, cynically does a complete U-turn in announcing its support for the fifth terminal (as well as expansion at Stansted).

Quite apart from the waste of public money involved (which must be enormous) this cynical volte-face leaves this area aghast at yet another miserable example of planning procedures being abused.

The residents of Stansted must feel similar betrayal at the support now being given by British Airways to the expansion of Stansted Airport.

Who can seriously give any credibility to public planning inquiry procedures after the airports inquiries?

The Government can rest assured, given the strength of opposition to the terminal five proposal around the whole area affected by Heathrow—not least the major local authority opposition to the re-location of the Perry Oaks sewage works which currently occupies the site proposed—that the public inquiries that would be involved in any possible re-location would be so costly, so lengthy, and so interminable that the 12 years Government estimates this would take could be stretched to infinity and public patience at such charades might finally snap.

(Mrs) Pippa Nason.
18, Model Cottages,
Mortlake, SW14.

Extending VAT and losing jobs

From the Secretary, Hot Take Away Action Group.

Sir,—Much of what Michael Prowse argued (January 28) "Why VAT makes more sense" does indeed make good sense. This, as Michael Prowse points out however, is only true if the tax is extended on the basis of "fiscal neutrality"—the doctrine that "taxes should not unnecessarily interfere with personal or corporate decisions."

A good example of not following this doctrine was applying VAT at 15 per cent to hot take-away food—but not cold take-away food or indeed all food.

This has resulted in a massive shift of business away from hot take-away food shops by customers unable or unwilling to pay a 15 per cent price increase, in turn causing the loss of 30,000 part-time jobs and 7,000 full-time jobs.

Another point which becomes clear from the hot take-away food case, is that it is plain stupid to ask an industry to increase its prices by 15 per cent during a period of inflation running at 5 per cent per annum. It would have been much wiser to introduce the tax in sensible stages.

A. J. Lainchbury.
403 London Road,
Camberley, Surrey.

Next month's UK Budget

Lawson's shrinking options

By Max Wilkinson, Economics Correspondent

A YEAR ago Mr Nigel Lawson, the Chancellor, was calculating his chances of bringing off a spectacular Budget for 1985.

The political prize would have been a really major reduction in the burden of income tax. Part of the money for this would have come from a shift towards indirect taxation, which would itself have brought important economic benefits. The other part was from the £2bn of room for "fiscal adjustment" which he expected to have in 1985-86.

Since then, the political and financial options have been closing off one by one. As one senior Whitehall official observed: "The Treasury was asked to make a study of fundamental reforms in the tax system, but then it was told that large chunks of it could not be changed for political reasons."

At this time of year, of course, officials are issued with regulation long faces to wear in public (though they are forbidden to speak to anyone), to give the Chancellor his best hope of springing a pleasant surprise on the day. However, it is also clear that the financial landscape has become genuinely more overcast.

The original idea — and it was never more than an idea — was to extend VAT to as much as possible of the 44 per cent of sales which are at present zero rated. In theory, this could have brought in an extra £7bn of revenue to add to the present £18bn. This would be comfortable enough to reduce the basic rate of income tax from 30 to 25 per cent.

Although any practical reform would have been trimmed down it is easy to see the advantages of this grand strategy. A cut in the basic rate would improve incentives and at the same time reduce the cost of the black economy and the value of tax privileges for house buyers and pension funds.

So much for theory, as it was being turned over in a pile of Treasury papers during the late spring and summer. Even then, it was recognised that the scope of the exercise would be limited by fierce lobbying, so that the chances of making a significant cut in the basic rate would be small.

The Prime Minister flatly vetoed the idea of putting VAT on basic foods, as she had earlier squashed the Treasury's plan to let inflation gradually destroy the value of mortgage interest relief. More recently, Mr Lawson has been forced to make a rather cryptic pledge that he will not take any "retrospective" action to tax pensioners' lump sum payments.

PLUMS FOR THE PICKING?

PENSIONS

	£ million
Taxing funds income at 30 per cent (net fig.)	1,350
Taxing lump sum benefits (1994 fig., assuming phased change)	500

VAT

Food	4,250
Fuel, light, power	1,500
Children's clothes	450
Books and newspapers	375
Public transport	425
Exempt items	525

Source: IFS estimates

By the autumn there was a growing realisation in the Treasury that a substantial shift towards indirect taxation was not on. Mr Lawson seems to have moved back to the gloomier view of his predecessor, Sir Geoffrey Howe, that his party—and the country at large—were just too conservative to accept major reforms of personal tax

Taxing basic foods at 15 per cent could have raised £4.25bn, but it would have hit the elderly and the poor disproportionately hard. Even if some of the extra revenue had been used to raise the incomes of the poor, it would have been a difficult package to sell; surveys show that people persistently over-estimate price increases, and tend to under-estimate the rise of their real incomes.

However the clinching argument was that 15 per cent VAT on basic foods would have raised prices by almost 3 per cent, pushing the inflation rate this year up to 8 or 9 per cent.

The option of a lower rate on food, say 5 per cent, was considered, but fairly quickly ruled out. Why face a political storm for the sake of "only" £1.4bn, the Treasury argued.

Similar arguments applied to the idea of extending VAT to other items including children's clothes and books, where emotions run high. By Christmas the Treasury consensus appeared to be that if the switch to indirect taxation couldn't be done with a big bang, it was not worth doing at all.

Now, after a sterling crisis, and a general increase in uncertainties, Mr Lawson may again be considering how to get a £100m or so from VAT extension, but this is more in the traditional Treasury spirit of combing the park for butt-ends than out of an ambition to reform.

The Treasury's examination of pension funds has also come up against major difficulties. At present contributions from employers and employees attract tax relief at the marginal rate, and the funds' investment income and lump sum payments are also tax free.

Mr Lawson's first problem was that the economic justification for removing these privileges is slim. There are good reasons for keeping the proceeds of long term saving and investment tax free, particularly when they represent private prudence and provision for old age.

It would be more in accordance with Conservative philosophy to extend tax concessions to all forms of saving, rather than to reduce them.

On a more practical level, it is difficult to see how the Treasury could change the tax regime for pension funds without affecting th epensions prospects of existing contributors. If Mr Lawson literally means that he will not take retrospective action the gains to the Treasury would be very slow in accruing.

With limited cash available there was an overwhelming argument for raising personal tax allowances rather than cutting the basic rate, mainly to improve the work incentives of the lower paid. Each 1 per cent cut in the basic rate costs £1bn. For the same money all the personal tax allowances could be increased by 5¼ per cent in real terms (in addition to the rise needed to keep pace with inflation).

However, even at the turn of the year there was a general air of optimism in the Treasury that Mr Lawson would be able to put together an attractive Budget package. Buoyant oil production and the steady rise of the dollar combined to boost the value of North Sea tax revenues, so that there was a hope they would be substantially more than the £12bn estimated in the Treasury's Autumn Statement.

If Mr Lawson could not produce major reforms, at least he could still hope to make a significant dent on the income tax burden with enough left over for a series of measures to help small businesses and the unemployed, and possibly reduce the burden of capital taxes.

January's slide in sterling, with a rise in interest rates to 14 per cent, has made the outlook far bleaker, though it may not have made much difference to the actual arithmetic of the Budget.

The fall in sterling has made the inflationary risks appear more acute, with the Treasury's forecast probably pointing to a 5¼ per cent rather than a 4½ per cent rise by the end of the year. This makes a switch to VAT even more unattractive.

More importantly, Mr Lawson's first priority has shifted to the need to restore financial confidence to prevent further pressure on sterling without excessive interest rates.

Unfortunately it is very hard for him to judge which way the markets would jump in the event of a "bold" Budget on March 19. Would a tightening of fiscal policy be interpreted on the foreign exchanges as a sign that interest rates were set to fall, and therefore as a reason to sell sterling, or would it inspire confidence in the currency?

In an atmosphere of high volatility Mr Lawson may well think the best plan is to sit tight, with perhaps a slight squeeze of his public borrowing target from £7bn to £6bn, and a total "give-away" of £1bn to £1½bn.

He can always hope to do more next year (1986-87) when the Treasury's Financial Strategy projects a £4.5bn tax cut. But next year is always going to be better.

FINANCIAL TIMES
Tuesday February 12 1985

Peter Bruce in Bonn looks at the turbulent family behind a successful aircraft maker

Dornier ejects its pilot without warning

NEXT TO the Dorniers of Friedrichshafen, southern Germany, the Dallas Ewings seem positively angelic. Herr Manfred Fischer discovered that early on Sunday morning when he was dismissed, without notice, as chief executive of Dornier GmbH, the family-owned aerospace business.

Herr Fischer is not a newcomer to the fickleness of family ownership in German business. He left a post as chief executive of Bertelsmann, one of the world's largest media concerns, at the end of 1982 after a row with the controlling family. But that it took a mere five months for the Dorniers to hire him, grow weary of him and fire him must nevertheless have come as a surprise.

On the face of it, Dornier is a quiet, successful company founded more than 50 years ago by Claude Dornier, who learnt the flying business designing airships for Graf Zeppelin. It made profits of some DM 26m in 1983 on a turnover of DM 1.26bn ($384m) and expects even better for 1984. The company is involved in West Germany's most successful trainer aircraft since the second world war, the Alpha Jet, and was a pioneer in short take-off and landing (Stol) aircraft.

Claude Dornier died in 1969 leaving six sons and a widow, Anna. The sons, he had decreed, would run the business and take equal shares, while the biggest lot, 27.8 per cent, went to Anna although she was unable to vote them. He failed, however, to leave behind any hint of who should actually be in charge, an omission that Herr Fischer is now probably regretting.

The six sons, Claudius, now 70, Peter, 67, Silvius, 57, Justus, 47, Christoph 45, and Donatus, who died in a motor accident in 1971, immediately showed signs of restiveness. Part of the problem was that Claudius and Peter were born of a first marriage: the others were Anna's. The early battle for control split broadly along those lines.

Donatus tried to reconcile them all by suggesting that none of the brothers had anything to do with management of Dornier and that they engage professionals. Two days after they had agreed, in principle, to do so, he was killed, with his share going to his widow, Ellen.

Claudius, pulling rank as the eldest son, then combined with Silvius to oust Justus from the main board. Why Silvius sided with his half-brother against Justus – he still does – probably has more to do with his formative years than with business strategy.

Peter then upset the applecart by selling some of his holding company shares to buy himself more influence in the family textile machinery business, which he was running. That gave Justus the break he needed. With Ellen and Christoph he now controls 38.4 per cent of the stock. Claudius and Silvius each own 12.8 per cent, which, with Peter's share, reduced to 8 per cent, gives them only 33.6 per cent.

Claudius was swiftly removed, in 1981, as chief executive, taken off the supervisory board and even off the shareholders committee. He left to set up his own aircraft company, leaving his ageing stepmother, Anna, somehow to hold the other together.

Anna died in the last week of August 1984, just days before Herr Fischer was due to come in as chief executive. His own appointment had not been smooth, with opposition coming from workers' representatives on the supervisory board. Nevertheless, he was Justus's man and looked secure.

Justus, however, appears not to have reckoned with Herr Fischer's rapidly developing a few independent ideas of his own about the business. Given the secretive nature of the place – and old Claude Dornier's autobiography was never published, but simply circulated among the family – those ideas have not yet emerged. But by the end of the year Justus had apparently had enough. He told the chairman of the supervisory board, Dr Hans-Otto Thierbach, that Herr Fischer would have to go.

Dr Thierbach, a Deutsche Bank employee, presided over the supervisory board meeting that dismissed Herr Fischer and the Dornier sales director at the weekend. But he had not, it is claimed, told his deputy, a union representative, what the Justus bloc had been planning. The workers' side walked out of the meeting in protest and it is possible that the validity of the dismissal, without the full board's being present, will be challenged in the courts.

Dr Thierbach is himself likely to be the target of a putsch by the minority shareholders at a full shareholders' meeting called by Silvius for Thursday. Claudius, Peter and Silvius are likely to try to replace him with Prof Hans Thümmel, Anna's lawyer. She died intestate, and he has control over her 27.8 per cent until a shareout can be resolved.

Prof Thümmel's allegiances are vague at the moment but he is thought to disagree with Justus over moving Dornier's successful medical equipment operation out of Baden-Württemberg to Bavaria.

Sharing out Anna Dornier's stake is also bound to be complicated by Claudius's wish to sell his 12.8 per cent to finance his own new business. None of the family want to buy and the prospect of an outsider's entering the business cannot be ruled out.

THE LEX COLUMN

Not so fast food from Dalgety

If the Government has indeed been authorising phone-taps in the foreign exchange markets, it will have nothing much to show for its efforts except a large telephone bill. Yesterday the markets ignored any bleeps on the line and sent the pound smartly through the $1.10 level, triggering heavy gilt-edged sales as it went.

Dalgety

The spectacular rating at which Hillsdown Holdings begins its public life on Thursday is a source of palpable grief to Dalgety. Having performed dogged feats in transferring its business from one hemisphere to the other, it might just as well have concentrated on supplying farmers in Wagga Wagga for all the London financial institutions care: the share price has badly underperformed the market in the past 12 months and the company is still rated below the food manufacturing sector on prospective earnings.

Yesterday's six-month results to December certainly did not justify a second thought, with the interim dividend unchanged and pre-tax profits up a modest 6 per cent to £33.2m, including a million or two in net translation gains. There are prospects of second-half improvement in the animal feed business and in Canadian lumber, but it is difficult to get excited about a full-year performance of £72m or so.

Perversely, the splendid performance of Martin-Brower in the U.S. has merely underlined the stolidity of the rest of the group despite the better quality of earnings with the retreat from the Antipodes. As a supplier and distributor for McDonald's, Martin-Brower improved volumes by 23 per cent in the six-months and can continue in this vein so long as Americans go on gobbling fast-food. Having showed it can run food-service industries in the U.S., Dalgety is being asked to repeat the show.

With the move to minority status in Australia, probably before the end of this calendar year, Dalgety will be showing net debt to equity of under 50 per cent. Given Dalgety's cash-generating business this should leave room for a U.S. acquisition. The experience of the Spillers' takeover probably rules out a big paper takeover in the UK even if the rating, at under nine times prospective earnings, could support one.

Share buy-ins

The idea of buying in equity is at last being treated with the respect it deserves in the UK. Yesterday Nottingham Manufacturing added its name to the list of companies seeking shareholders' approval for the practice, while Charterhouse J. Rothschild celebrated its imminent change of name with the announcement that it had bought 3.75m of its own shares at 108p apiece.

These companies are natural candidates. More than half Nottingham's market capitalisation is represented by liquid assets, leaving the rest to trade on a rather humble multiple of garment manufacturing earnings. For CJR, which has issued an abundance of equity in the recent past, offering to buy some of it back is just plain courtesy. The 3.75m shares were bought in at 108p each, which represents a discount of around 15 per cent to a conservatively stated net asset value.

So CJR has provided an easy way out of the market while enhancing the assets per share of those who stay in. Although it is encouraging to see other companies following the GEC precedent, many are still conspicuous by their absence. BP, for example, might do wonders for its share price by buying shares from the Government. At last night's price of 558p, BP equity trades at not much above half its net asset value, while the £500m or so it would cost to buy a 5 per cent stake from the Government is easily within the company's scope.

The greatest impediment to the buy-in is an unnecessarily restrictive rule-book. There seems little point in limiting a company's open market purchases to 5 per cent of its equity over a 12-month period so long as the buyer stands in the market and takes shares from all and sundry. The alternative, a tender offer, can have all kinds of awkward drawbacks – as British Land has discovered to its cost. Equally, it is unduly punctilious to insist that a company makes no purchases in the two months leading up to its results. Apart from anything else, the company can make a mockery of the rules simply by delaying the results.

Nottingham Mfg.

In last year's fierce UK retail stores' battle for women's fashion spending, not even the manufacturers emerged unscathed. Big retailers such as Marks & Spencer have ensured that at least part of the fall-out has landed on their suppliers. When, like Nottingham Manufacturing, the suppliers rely on M & S for half their business, they can do little more than cover their heads.

Nottingham's pre-tax profits for 1984 were down £3m to £21m, well below the most cautious of analysts' forecasts and disappointing enough to send the share price scooting down 31p to 215p yesterday. The culprits were margins, down a full 2 percentage points to 5.6 per cent. Both M & S and the company apparently made mistakes on colours and designs in women's knitwear, resulting in costly writedowns. Then the warm autumn scuppered sales, the stores demanded lower prices, and the miners' strike proved the final straw.

But the root of the problem is that today's woman is more conscious of fashion and design. Not only are shops expected to stock the right goods at the right price – new products must be turned over fast, too. The lumbering Nottingham will need quicker reactions and trendier goods just to maintain its market share.

Komatsu close to securing U.S. plant

By Terry Dodsworth in New York

KOMATSU, the Japanese earth-moving equipment company, is aiming to acquire a site for a U.S. manufacturing plant at Chattanooga in Tennessee within the next few months.

The Japanese group, main competitor for Caterpillar of the U.S. in international markets, disclosed yesterday that it was "in the final stages" of negotiating the purchase of a manufacturing facility, which would be converted to a Komatsu plant. It said that its final decision would be subject to the conclusion of institutional financing for the operation.

Komatsu is known to have been looking for a manufacturing site in the U.S. for the past year or so, mainly concentrating its research on states in the southern "Sunbelt." Many U.S. engineering companies have migrated to the Sunbelt in recent years and have been followed by foreign corporations attracted by the minimal level of unionisation and sizeable labour pool.

Mr Eli Lustgarten, an analyst at Paine Webber, the New York securities house, said yesterday that Komatsu's move was expected, since the company had less of a presence in the U.S. than elsewhere in the world. "If you want a major presence in a market, you have to manufacture there," he said.

Komatsu is believed to have about 8 per cent of the U.S. earth-moving equipment market, although its penetration varies depending on the specific equipment involved. It has recently been faced by an aggressive counter-move by Caterpillar, the dominant market leader, which has hit back at imports and its domestic competition through a policy of heavy price-cutting.

Caterpillar Tractor has joined 18 other companies in a complaint to the European Commission about the marketing practices and alleged dumping by some of their Japanese competitors.

The company said that it had selected Tennessee for the manufacturing site because it liked the political climate, the Tennessee work ethic and the central location "relative to markets for our products."

It would not say yesterday what products it would make in the U.S., or what sort of volumes it anticipated at the Chatanooga plant. But analysts expect a fairly ambitious enterprise because Chatanooga is one of the leading industrial cities in the region and the company has selected a sizeable site used formerly for heavy industrial plant.

The decision will give Tennessee its second large Japanese plant following the Nissan facility at Smyrna, about 120 miles from Chattanooga.

Wörner says U.S. must give full access to 'star wars' technology

BY RUPERT CORNWELL IN BONN

EUROPE should only accept the invitation to take part in the U.S. strategic defence initiative (SDI) if it had full access to the technology involved, Herr Manfred Wörner, the West German Defence Minister, indicated yesterday.

At the high-level "Wehrkunde" defence conference in Munich at the weekend, Chancellor Helmut Kohl had signalled – with some caution – Bonn's readiness to participate. But worries had already surfaced there that Washington might not be prepared to open up research to European industry.

Herr Wörner has now brought the misgivings further into the open. "When you co-operate, there should be no secrets between partners," he said, pointing out that Herr Kohl himself had stressed the need for greater detail on the research involved before Bonn made up its mind.

The whole "star wars" issue had long drawn sharply differing reactions in Bonn. Fears that to go ahead would not only be a new step in the arms race but pull spending from conventional defence, have been matched by concern that for Europe to turn its back on the scheme – at least in its initial research stage – could drive a new wedge between the U.S. and its allies and let slip a big opportunity of advancing its own space technology.

Speaking alongside Herr Wörner yesterday after inspecting a newly-installed Patriot air defence missile unit, Mr Caspar Weinberger, the U.S. Defence Secretary, promised that work on the SDI could be financed without any cut in the conventional strength of the U.S.

One powerful factor arguing for German caution is the fear that the SDI could diminish prospects of separate agreement in the forthcoming superpower arms control talks on medium-range nuclear weapons in Europe, about which Bonn is especially sensitive.

The Soviets have already made clear that they will only accept a package solution in Geneva. This implies accommodation of their hostility to SDI in return for the concessions they would undoubtedly have to make in the intermediate weapons such as the SS-20, cruise and Pershing II.

Medium-range missiles had to take priority over space defence in Geneva, Herr Volker Rühe, the deputy leader of the CDU-CSU said in Bonn last night after a meeting with Mr Paul Nitze, President Ronald Reagan's special arms control adviser.

Arafat and Hussein 'agree on peace bid'

KING HUSSEIN of Jordan and Mr Yassir Arafat, the Palestinian leader, yesterday agreed the framework of a joint bid for a just, peaceful settlement of the Palestinian issue, the official Jordanian newsagency Petra, said.

The King and Mr Arafat, chairman of the Palestine Liberation Organisation (PLO), reached agreement at a working lunch, Petra said.

It gave no details beyond saying they discussed the "reality of the Palestine issue in the occupied territory and in the international arena."

Last November, King Hussein proposed a joint Jordanian-Palestinian peace effort based on a United Nations Security Council resolution condemning the acquisition of land by force.

Earlier yesterday, King Fahd of Saudi Arabia began a state visit to the U.S. by telling President Ronald Reagan that the Palestinian problem was the root cause of instability and turmoil in the Middle East.

At a White House welcoming ceremony he told the President: "I hope that your Administration will support the just cause of the Palestinian poeple."

King Fahd, making his first official visit to Washington since he became King in 1982, had been expected to appeal to the President to take a more active role in the search for peace in the Middle East.

U.S. officials have made clear, however, that they do not believe the time is ripe for a new high-visibility effort, given the absence of an Arab partner with which Israel can negotiate.

The King said the Palestinian people "have committed no wrong that could justify what has befallen them. The Palestinians, who were never aggressors or invaders, found themselves, through no fault of their own, the victims of unjust aggression.

The Palestinian question is the single problem that is of paramount concern to the whole Arab nation, and affects the relations of its peoples and countries with the outside world."

President Reagan, in his welcoming remarks, said the legitimate rights of the Palestinians "can and should be addressed in direct negotiations" – a reference to U.S. hopes that King Hussein will enter talks with Israel. Reuter

Israeli jets strike, Page 6

Andreotti to press EEC for meeting to combat terrorism

BY JAMES BUXTON IN ROME

ITALY will try today to persuade its EEC partners to agree to a meeting of home affairs ministers in the next few weeks which would discuss measures to combat the new wave of terrorism in Europe.

Sig Giulio Andreotti, Italy's Foreign Minister, is to make the proposal at an EEC political co-operation meeting in Rome of foreign ministers or their deputies.

He will also suggest that EEC countries agree to further co-operation between services and police forces to exchange information about terrorism.

At a similar meeting in Dublin in the autumn, the EEC countries agreed to work closely together to combat terrorism and adopted policy decisions which were not disclosed.

Italy is especially concerned about the terrorist offensive, partly because it fears that there could be an outbreak in Italy, where the Red Brigades are said to be recovering strength, and partly because of a dispute with France, which Rome says is giving asylum to more than 120 Italians wanted for terrorist offences in Italy.

Sig Andreotti will almost certainly hold separate talks tomorrow with his French counterpart, M Roland Dumas.

Reuter reports from Brussels: Western Europe's current outbreak of terrorism casts doubt on previously widely popular moves to end border checks in the EEC, diplomats said yesterday.

They reported this after ministers in charge, of the EEC's internal market discussed European Commission proposals for quicker border crossing by both people and goods.

While all member states welcomed the initiative in principle, the diplomats said, Denmark, the Netherlands and Britain raised the security issue, saying the proposals needed more study by either ministers or high officials.

The ministers disagreed, however, over which group should do it and also failed to set a timetable

EEC moves to align industrial standards, Page 3

Jury clears civil servant

Continued from Page 1

of Defence conducted themselves was against the national interest."

The Ministry of Defence said later that Mr Ponting, who has been suspended on half pay since being charged last year, would now be restored to full pay pending a decision on his future.

Margaret van Hattem, Political Correspondent, writes: The Government promised to make a statement on the Ponting affair today in the House of Commons, where it came under strong attack yesterday.

It had still not been decided last night which of the ministers under attack – including Attorney-General Sir Michael Havers, Mr Heseltine, Mr Stanley and even Mrs Margaret Thatcher, the Prime Minister – would make the statement.

Announcement of the jury's verdict provoked a wave of criticism at Westminster yesterday, including statements from all opposition party leaders, and demand for an emergency debate from Mr John Morris, Labour's legal affairs spokesman. Despite the Government's promise of a statement, Mr Morris has announced his intention to press for an emergency debate again today.

Initial incredulity at the jury's verdict quickly turned to delight among opposition MPs and dismay on the Tory side, prompting demands for a reform of section 2 of the Offical Secrets Act, under which the charges were laid. Downing Street, however, was yesterday ruling out early action to change the law.

There was also widespread speculation over the future prospects of Mr John Stanley, whom few MPs consider likely to survive the events.

Commenting on the outcome of the trial, Mr Neil Kinnock, the Labour leader, called for the immediate repeal of section 2 of the Act. He said that both Mr Heseltine and Mr Stanley would have to answer to the Commons for their attempts "to keep Parliament in the dark" and their efforts to jail Mr Ponting.

EEC doubts as $ hits records

Continued from Page 1

late afternoon, as it sank below $1.10, the pound also started to lose some ground against the D-Mark.

The Sterling index fell from 71.8 (1975 = 100) on Friday to 71.1, with the rate against the D-Mark closing in London at DM 3.593.

Dealers said there was no especially strong pressure on sterling, but the London money markets reflected a general nervousness, pushing the three-month interbank rate up by more than ½ point to 13⅞ per cent.

The unsettled mood was also felt in the gilt-edged market, where prices of government stocks were marked down by as much as 1¼ point at the short end.

Yesterday there was little pressure for higher interest rates, but a general consensus that bank base lending rates would remain at around 14 per cent for some time.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	C	10	50	Malaga	R	21	70	Salzburg	S	-6	21
Akrotiri	S	17	63	Faro	F	17	63	Malta	F	16	61	Seoul	F	3	37
Algiers	R	17	63	Florence	C	7	45	Manila	—	—	—	Singapore	F	31	88
Amsterdam	S	-4	25	Frankfort	S	-8	18	Miami	—	—	—	Stockholm	S	-13	9
Athens	F	17	63	Funchal	S	20	68	Milan	C	1	34	Strasbourg	S	-7	19
Bahrain	S	20	68	Geneva	C	-3	27	Moscow	S	-19	2	Sydney	F	23	73
Bangkok	—	—	—	Gibraltar	R	16	61	Munich	S	-10	14	Taipei	—	—	—
Barcelona	F	10	50	Guernsey	C	-1	30	Nairobi	—	—	—	Tangier	R	16	61
Beirut	—	—	—	Helsinki	Sn	-14	7	Naples	F	14	57	Tehran	—	—	—
Belgrade	Sn	-8	16	H Kong	C	15	59	New Delhi	S	20	68	Tel Aviv	S	20	68
Berlin	S	-12	10	Innsbruck	Sn	-6	21	New York	—	—	—	Tenerife	S	18	64
Biarritz	C	12	54	Inverness	F	0	32	Nice	F	13	55	Tokyo	S	10	50
Blackpool	S	-1	30	Istanbul	F	14	57	Oporto	F	16	61	Toronto	—	—	—
Bordeaux	R	6	43	Jersey	F	-2	28	Oslo	F	-14	7	Tunis	F	17	63
Brussels	S	-6	21	Jo'burg	—	—	—	Paris	S	-2	28	Valencia	R	16	61
Budapest	C	-7	19	Las Palmas	F	21	70	Prague	S	-13	9	Venice	C	1	34
B Aires	—	—	—	Lima	—	—	—	Reykjavik	C	3	37	Vienna	S	-12	10
Cairo	—	—	—	Lisbon	F	17	63	Rio de J'o	—	—	—	Warsaw	S	-15	5
Cape Town	S	24	75	Locarno	C	2	36	Rome	F	15	59	Zurich	C	-7	19
Caracas	—	—	—	London	C	-1	30								
Casablanca	C	18	64	Los Angeles	—	—	—								
Copenhagen	S	-7	19	Luxembourg	S	-8	18								
Corfu	C	15	59	Madrid	S	16	61								
Dublin	F	0	32	Majorca	R	15	59								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

New Gatt talks nearer

Continued from Page 1

Relations, and Mr James Kelleher, the Canadian International Trade Minister – made no public comments in Kyoto. Mr Murata is new to his post, as are Mr de Clercq and Mr Kelleher, and Japanese trade officials seemed to feel that he should enjoy a taste of the limelight as host of this meeting.

Little of substance appears to have transpired in any case. The U.S. and Japan apparently made no decisions on their car trade difficulties, while Mr de Clercq and Mr Murata did not even raise their pending issue of a new ceiling on sales of Japanese video cassette recorders to Europe.

Even on the Gatt preparatory committee, the ministers do not appear to have gone far in drawing up a possible agenda. Mr Murata suggested that trade in services and high-technology goods might be included, but it was conceded that the still incomplete Gatt work programme, which the less-developed countries want finished before a new trade round starts, could hardly be ignored.

The less developed countries have made known their reservations about a new round, which they fear will be limited to those items of most interest to the industrialised nations.

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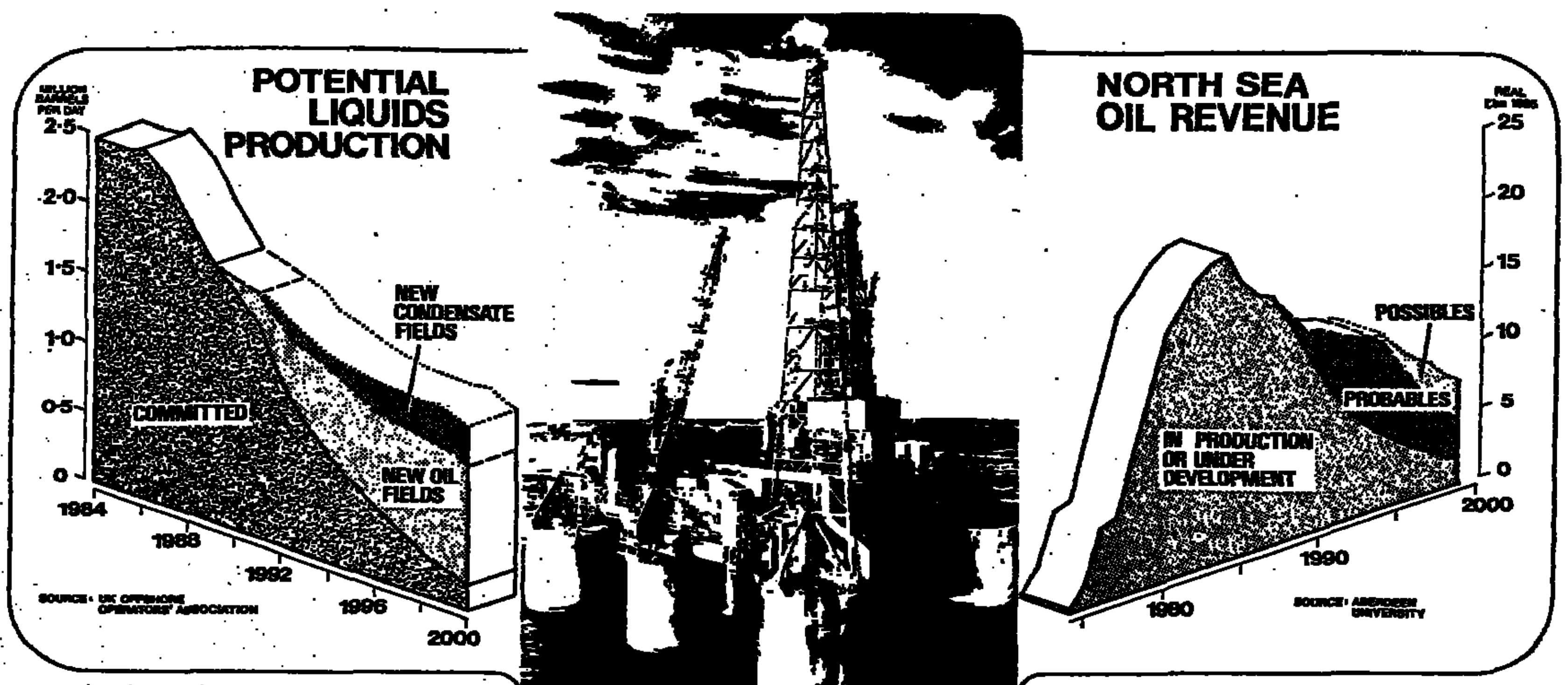
FINANCIAL TIMES SURVEY

North Sea

THE SECOND PHASE

The years 1974-84, the first decade of British oil, have hardly produced the rewards expected of a golden age. So what is the outlook for the North Sea industry and the economy during the next decade as production passes its peak?



Second chance to get it right

By Ian Hargreaves

WE ARE almost at the mountain top. What will life be like on the other side?

Merely to pose this question about North Sea oil tends to induce a shudder at the thought that Britain's career as a major oil power is, probably, almost over.

There is a deep, underlying national feeling that we have had our oil bonanza and it was a flop like buying a world cruise and then simply not enjoying it, or winning the pools and waking up a depressed alcoholic. The years 1974-84, the first decade of British oil, have hardly felt like a golden age.

Of course, it is still not possible to sketch with certainty the mountain's contours. It is slightly more flat-topped in recent versions, like the one illustrated, than was the case even a couple of years ago. But it does seem, on the best advice available, that the peak will arrive this year or at the latest next and that thereafter it will be downhill more or less all the way.

"The chance of our finding another Brent or another Forties in the North Sea is pretty low," says Mr Peter Everett, the head of Shell's exploration and production business. In the last nine years, over 40 per cent of Britain's oil has come from these two fields.

The ninth round of licensing, now nearing completion, will encourage companies to search in the deeper, less explored waters to the west of the Shetland Islands, but few oil men expect much.

Huge structure

The Clair field has already been found there—a huge structure with lots of oil "and a recovery factor of zero," says Mr Everett. The oil is too thick to be able to move it.

In spite of this, there are a number of reasons why the second phase of North Sea oil could turn out to be a more satisfactory experience for the UK than the first decade.

From the point of view of the oil supply industry, there is no doubt that the hunt for mainly smaller oil and gas fields and the business of extracting the maximum amount of oil from mature fields by additional drilling, more platforms and the injection of pressurised gases or liquids means a faster production line for suppliers.

More holes were drilled on the UK Continental Shelf last year than in any year since 1964, when the search for offshore oil and gas began, and the success ratio—about one find for four exploration wells—continued to be very high by world standards.

The fact that the finds are smaller is a matter of regret for the oil companies, but for suppliers it is a bonus. More equipment is needed and, because small fields are less profitable, the requirement is not for the radical, no-expense-spared engineering solutions of the first decade of oil production but for well made, on time, on budget equipment which is efficient in engineering terms.

For UK suppliers, there is the additional encouragement that this time round they are not starting from scratch, overshadowed by companies from the U.S. Although there are areas of activity—drilling, pipe-laying and heavy lift—where UK companies are still very weak, there have been signs that with the sometimes not too discreet helping hand of the Government's Offshore Supplies Office, British companies are doing better.

No one takes too seriously the Government's claim that over 70 per cent of North Sea contracts are won by domestic suppliers, but there has been a healthy air of reorganisation and jostle in the industry in the last 12 months, especially in the platform yard and module building sector, which is perhaps at last shuffling off the combined cultural malaise of poor labour relations practice derived from its parentage in the shipbuilding and large-scale construction sectors. There is still, however, a long way to go before UK industry can count its response to the North Sea challenge a success.

The Government, for its part, is also beating loudly the export drum: trying to foster the high technology end of the UK supplies industry and create a base for an industry durable in world markets on the shadow side of the North Sea oil mountain.

The outlook

There is no doubt that the North Sea market itself is and will remain substantial. It is a £3bn a year industry and, according to the UK Offshore Operators' Association, £60bn (at 1984 prices) will be spent between now and the end of the century developing 80 new fields and building 100 production platforms. Currently, the UK has only 31 fields.

These investments, UKOOA believes, will be adequate to maintain UK self-sufficiency in oil to the year 2000.

For the oil companies themselves, these patterns imply a significant adjustment not only in engineering and logistics but in economics. Although North Sea profits have been protected against falling dollar oil prices by the weakness in sterling, companies which report their profits in dollars have been adversely affected.

It is more likely that the background to the next 15 years of the North Sea will be one of erratically falling oil prices than the contrary, which characterised the first decade.

In combination with the higher costs of smaller fields and exploring in deeper water, this means that North Sea projects are likely to become less economically attractive.

A recent analysis by stockbrokers Wood Mackenzie estimated the effect of various levels of dollar oil price on the real rate of return of North Sea fields. Their worst case—oil at $25 a barrel in 1985 and then inflated at 6 per cent a year—produced rates of return as low as 1.8 per cent for the Beatrice field, which was one of eight fields with a rate of return below 10 per cent.

In a study, late in 1983, before last year's fall in prices, the Institute of Fiscal Studies put the average net rate of return on UK offshore fields at 21.9 per cent. For the large Forties field, the net figure was 40.6 per cent, or 58.7 per cent in gross terms.

There is no doubt that oil companies are adjusting to lower expectations and it is interesting that in spite of falling prices, the recent ninth round cash auction raised record sums.

Many oil companies, especially the big ones, still have very large positive cash flows and their experience in the past decade in spending this money outside the oil and gas industry has not been happy.

They have little alternative but to go on investing in the future of their own industry, although the counter-argument, otherwise known as the T. Boone Pickens phenomenon, that they should disinvest and return the money to shareholders, cannot be ignored by U.S. companies.

So, in spite of the oil price background, the outlook is for heavy capital spending in the North Sea. Certainly there is no likelihood, as is sometimes supposed, of North Sea fields being forced to shut down because of falling oil prices.

A windfall

From the Government's point of view, however, the downward side of the North Sea slope appears on the surface to involve nothing but pain. The North Sea accounts for over 5 per cent of GNP and is expected to generate around £12bn in tax revenues in the next year—a windfall increased by the drop in sterling.

The decline in tax revenues is bound to be steeper than the decline in oil production itself, as the charts show. This is because the rate of taxation on fields developed after 1983 is considerably lower than it was earlier. A further cut in taxation is possible in the next Budget, in response to the industry's case for an incremental investment allowance for mature fields.

But what the charts do not show is the tax proceeds of gas production, which is expected

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Editorial production: Arthur Dawson. Design: Philip Hunt

Ian Hargreaves charts changes in the Government's attitude towards developments in the North Sea

The ever-changing jigsaw

Taxation

THOSE RESPONSIBLE for designing Britain's oil taxation regime are fairly pleased with themselves these days. The concessions to the industry made, after long resistance, in the 1983 Budget have had precisely the desired effect of stimulating a drilling and development boom.

The waiving of royalties on new fields, tax breaks for exploration and bigger offsets against petroleum revenue tax will have the effect, unless someone discovers a very large field indeed (over 100m barrels), of ensuring that most new fields will not pay much, if any, PRT; the owners will simply pay corporation tax.

In the March 1984 Budget, however, the Chancellor's words were not so sweet. He refused to extend the 1983 tax reliefs to the southern basin of the North Sea, where it is felt that the incentive of British Gas's higher prices is sufficient to promote activity. The rate of drilling and development bears out this argument.

The Chancellor also announced changes in corporation tax; spreading out and phasing down capital allowances which has a negative effect upon the economics of oil field investment, where heavy costs come before cash is generated.

It was partly to compensate for this that the Chancellor also announced that he would review the case for a special capital allowance for the oil industry, designed to provide a tax shelter for investment in incremental oil production.

The industry's argument, set out recently in a paper from the UK Offshore Operators' Association, (UKOOA) is that an additional 1bn barrels of oil could be extracted from the UK shelf (an 8 per cent gain) if oil companies were able to set against tax part of the capital cost of the equipment used to extract additional oil.

Many techniques

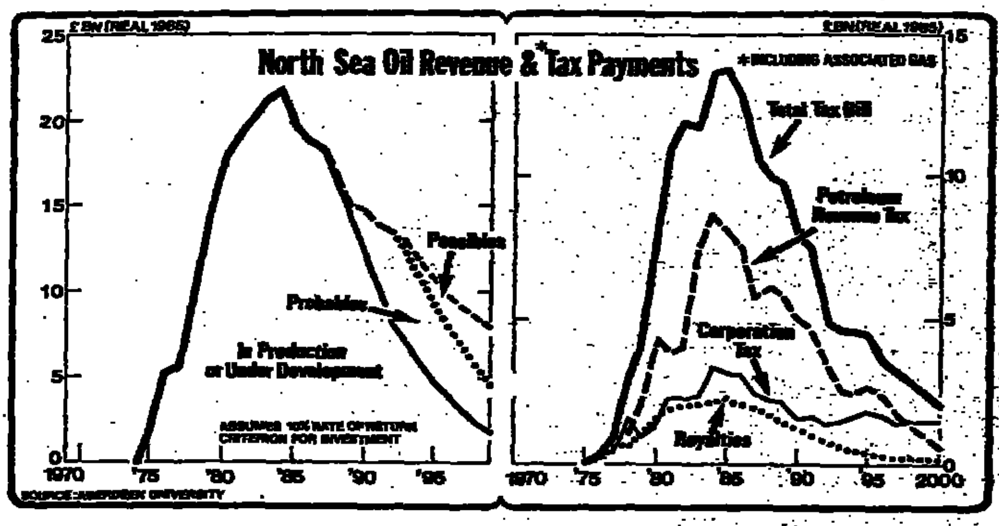
Under normal circumstances in the North Sea, it is possible to produce between 20 and 30 per cent of a field's reserves before reservoir pressure declines to the point where the oil stops flowing. There are many techniques (see column 8) for improving recovery rates.

UKOOA wants an incremental investment allowance of either 25 per cent, if the allowance is taken immediately, or 50 per cent if spread over 10 years. It says that although the 1983 Budget has reduced the effective rate of tax on new fields to between 35 and 50 per cent, the level of tax on mature fields which have exhausted their capital allowances continues at the marginal rate of 85.8 per cent.

One of the accidents of the post-1983 system is that, barring unexpectedly large fields, the tax system will in future be based more upon profits than revenues — a theoretical argument which has rumbled through the decade. But the chances today of any Government attempting to unscramble the North Sea tax jigsaw in order to create a wholly profit-based resources rent tax are remote.

UKOOA's proposal, designed to restore the rate of return on an incremental project to the same level as on a new field development, attracts two obvious criticisms: the difficulty of distinguishing incremental investment for the purpose of the allowance from routine additional spending on a mature field and the fact that the Government, if it agreed, would be offering tax concessions on fields which have already earned their owners fabulous profits.

UKOOA's answer to the first point is that incremental spending would be defined as any sum spent on facilities, equipment or materials to inject into reservoirs "after PRT payback" or any development drilling cost incurred "after expiry of PRT safeguard."



These cut-off points refer to the take-up of existing capital allowances against PRT and vary from field to field since the system has been frequently modified in the past 10 years.

UKOOA's main argument is that the allowance will produce extra oil and therefore, in the long run, revenue the Government would otherwise not receive. Backing for the principle of incremental investment tax concessions has also come from Professor Alexander Kemp of Aberdeen University.

A warning

Prof Kemp, a specialist in oil taxation, argues that either an investment allowance or a freedom from royalty are the best mechanisms for stimulating incremental investment without unnecessary generosity on the part of the Inland Revenue. But he also warned, in a recent paper, that the relationship between tax concessions and any particular success rate is complex and to a degree unpredictable.

UKOOA itself is somewhat hazy on the likely speed at which an incremental investment allowance would start to make an impact on oil production. "It would probably start three to four years after the allowance came in," says Mr George Band, director of the association.

Apart from the debate over incremental production, the general opinion among tax experts is that the oil tax régime has entered a period of stability. "There is not much more that the Government can do to encourage additional development," says Mr Roger Hope, of accountants Price Waterhouse.

Whether that perception will remain accurate depends very much upon the price of oil. Prof Kemp's models of tax revenue from the North Sea (excluding gas-only fields) demonstrate a number of interesting points, the first of which can be seen from the chart; that tax revenues decline more sharply than gross revenues from the North Sea between 1985 and 1995, but that in the second half of the 1990s, the decline in the tax take is briefly reversed.

The assumptions in this scenario are oil at $30 a barrel, sterling at $1.50 and a requirement by the oil companies for a 10 per cent net rate of return on investment.

When Professor Kemp reruns his projections with an assumption of a $28 oil price and a lower sterling exchange rate, he discovers, as the Government has in the last year, that tax revenues are boosted greatly. He also concludes that because many North Sea investors account to their shareholders in dollars, there is a significant deterrent effect on field development, even at what some would see as a relative optimistic level of oil price.

According to stockbrokers James Capel, 42.5 per cent of UK oil reserves are controlled by U.S. interests.

Prof Kemp concludes: "Oil prices will need to rise considerably in real terms in the 1990s if the large number of new fields becoming available are going to be developed. Although most new fields at that time will only be subject to corporation tax, it is likely that this imposition will be inhibiting field developments."

In other words, in Prof Kemp's view, the oil industry will abandon a significant number of projects in the 1990s, unless either the oil price rises strongly, which many doubt, or the Government taxes oil companies more lightly than other corporations.

The idea of subsidised oil production along the same lines as subsidised coal production, is not beyond the bounds of possibility.

Techniques to lift recovery factor

OF THE 3,500bn barrels of oil known to exist in defined reservoirs throughout the world, only 700bn barrels or 20 per cent is likely to be recovered by conventional methods.

Frustration with this fact has spurred the oil industry into exploring a wide range of technologies to improve the recovery factor. The North Sea, in its second phase a mature province, is likely to be a testing ground for the use of some of these techniques in an offshore context.

Oil is raised to the surface in a conventional operation by the natural forces of gas, water and heat driving oil through porous rock up a well-shaft—the so-called "natural drive" process. But as a field is exploited, these natural pressures decline and artificial pressures must be applied.

The most common techniques for raising reservoir pressure are to inject gas or water into a reservoir, but there are other fairly conventional ways of increasing the amount of oil extracted from a reservoir—simply by drilling more production wells, for example, or installing an additional fixed platform.

It is also possible to use underwater or satellite production facilities connected by pipes or hoses to the main platform to tap difficult pockets within a reservoir.

All these techniques are known as secondary methods of production. They do not involve new technology and they are the types of investment UKODA envisages being stimulated by the incremental investment allowance from the Government.

According to Wood Mackenzie, an additional platform in the Forties Field might cost £600m to recover an additional 50m barrels of oil. Under existing tax rules, such a project would offer BP and its partners a real rate of return of only 5.8 per cent.

With the benefit of a 20 per cent incremental investment tax allowance taken immediately, the return would be 14.2 per cent. With an allowance of 35 per cent spread over seven years, the return would be 14.3 per cent.

Beyond these secondary techniques lies a further range of "tertiary" recovery methods, sometimes known as enhanced oil recovery (EOR). According to Shell, there are around 550 such projects underway in the world, most of them in the U.S., where the tax climate is favourable.

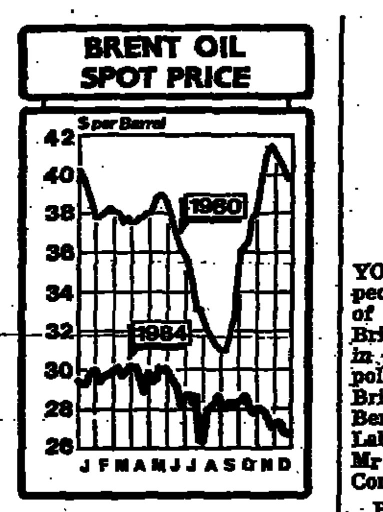
Wide range

The range of technology is very wide and includes:

- Flooding a reservoir with a solution of water and chemicals (usually polymers). This helps to drive additional oil through the rock pores. Application in the North Sea could be limited because of high temperatures and high salt content of reservoirs.
- Miscible processes, which involve injecting into the reservoirs substances (chemicals or gases) which mix with the oil and change its composition, enabling it to be driven more easily to the production well.
- Thermal processes. Thick oil is heated up to make it less viscous, normally by injecting steam into the reservoir. Attempts have also been made to heat reservoirs by starting fires inside the reservoir.
- Plugging. The use of chemicals to seal exit pores, designed to prevent the oil dispersing around the reservoir and subsequent loss of pressure.

The most widely used of these tertiary techniques is steam drive, but all of them involve technical problems.

It is also the case that tax incentives based on capital allowances are unlikely to stimulate enhanced oil recovery techniques which, like polymer flooding, have high operating costs. In spite of these problems, EOR techniques are expected to play a part in the future of the North Sea.



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to decline much more slowly than oil production in the next 15 years, if it declines at all. This is a result of fiscal reliefs in the 1983 Budget and the higher prices now available from British Gas.

Much of the drilling boom last year was in the gas provinces of the North Sea. The Government's restrictive line on gas imports is also partly aimed at helping to fill the oil revenue gap with gas revenues.

Whether this amounts to a wise, longer run energy strategy is open to question, but it certainly represents a means of maximising the tax revenue and oil and gas industry employment benefits of phase two of the North Sea.

The problem with any such narrowly defined statement of the benefits and disadvantages of a given fiscal policy for oil and gas is the lack of attention to wider issues. A policy which maximises oil and gas production may increase the number of jobs in the North Sea support industries, but by helping to raise the value of sterling, it will have the opposite effect in the rest of the tradable sector of the economy.

This is the kind of argument which has preoccupied economic analysis of the effect of North Sea oil on Britain. Some economists have come close to concluding that by overvaluing sterling, North Sea oil has been responsible for a disastrous and perhaps irreversible de-industrialisation of Britain as the country's exports have been shut in by an overvalued currency.

Although the oil and de-industrialisation thesis is, in its simplest form, greatly overstated — it tends to neglect the many other factors, both cyclical and secular, which have contributed to Britain's manufacturing decline—it contains some truth.

The speed at which Britain moved from being a major oil importer first at low and then at "oil shock" prices to being a significant exporter offered inadequate adjustment time for an arthritic economy.

One of the more cheering aspects of the road ahead is that the decline in both output and revenues should not be as steep as the climb. Theoretically, at least, conditions are good for the British economy to fill the balance of payments gap left by oil. If the theory is not turned into practice, the British people will be poorer by the year 2000 and quite possibly much poorer ten years later: the inhabitants of a worked out gold rush town.

Challenge is to hold pace of development

YOU ONLY have to list the people who have held the office of Energy Secretary since Britain found its first oilfield in 1970 to be reminded of the polarities which have tugged at British energy policy. Mr Tony Benn and Mr Eric Varley from Labour. Mr Nigel Lawson and Mr Peter Walker, two of the Conservatives.

But for all the struggles over taxation policy and the role of the national oil company, there is an underlying homogeneity about government policy for the North Sea. The reason is that all governments have wanted to maximise output and revenue, so in the end the interventionist streak has been tempered by the need to let the oil companies get on with the job.

The Thatcher Government spent its first three years adding to taxation (there were nine separate changes) and has spent the last two years running in the opposite direction.

Apart from taxation, the Government has four main policy levers in the North Sea: the licensing system; the administration of field development; pricing and the promotion of the interests of UK suppliers to the oil and gas industry.

How has the Government responded to the changing conditions of the North Sea; to the prospect of falling production and the reality of falling dollar prices? Is the business of governing the second phase of the North Sea any different from the first phase?

"Policy will be dictated by the physical characteristics of the North Sea," says Mr Alick Buchanan-Smith, the Energy Minister. "We don't have more massive fields to develop; we do have more difficult conditions. The real challenge is to maintain a reasonable pace of development."

That statement could have been made at any time in the last six years, but in one respect the Government has shifted the policy emphasis; in the way it is using both the licensing system and the Offshore Supplies Office to require the oil companies to make greater use of UK R & D and technology and in the emphasis Mr Buchanan-Smith, especially, has placed upon the need to build up export markets for the UK supply industry against the day when the oil runs out.

The actual method of allocating exploration acreage and development rights has not changed. It remains an uneasy mixture of cash auction, which the Treasury likes, and discretionary awards, which the Department of Energy prefers. Although there is no shortage of friction about specifics, the system provokes little general complaint now that there is no bottleneck of applications.

The emphasis upon discretionary powers was reinforced last year when the Government cracked down on licence trading by restricting the number of companies which could appear on a single licence.

The most fascinating area of policy, however, surrounds the role of the British National Oil Corporation, established in 1976 to be the Government's eyes and ears in the oil industry, a state oil company in its own right and the trader of the bulk of North Sea oil production.

Since the sale of BNOC's oil and gas exploration and production assets in 1982 in the Britoil

Government policy

flotation—the Government still owns 49 per cent of Britoil but will sell it if and when market conditions are attractive—BNOC has essentially been an oil trading organisation.

Through its participation the agreements with the oil companies and its agency arrangement with the Government to sell royalty oil it handles around 1.3m b/d of North Sea production—half the total. Of this, some 0.5m b/d involves only a book-keeping transaction since the oil companies buy the oil back and use it themselves. BNOC actually trades 800,000 b/d of oil.

The purpose of this arrangement is to ensure that the Government has access to large quantities of oil in a supply crisis (this was in doubt in the 1973 oil crisis, when BP refused to give Britain priority treatment over its other customers); to enable the Government to have a voice in setting oil prices, which are crucial to government revenues; and to provide a large trading house to handle the oil of the many very small producers and to keep an eye on the oil companies.

BNOC still sits on the operating committees of North Sea fields and, more important, provides a base of knowledge for the Government in policing transfer pricing arrangements and tax collection within multinational oil companies.

In the last six months, however, BNOC's future has been called into doubt. The Government last year completed a review of the corporation and, although some officials involved in the exercise recommended abolition, Mr Walker, the Energy Secretary, announced that BNOC would continue in its present form.

Hardly had he made the announcement than it started to become clear that an organisation which could free wheel in a rising oil market, faces real difficulties when prices are falling.

The attempt to resist falling prices by keeping BNOC's official prices above spot market levels may have pleased Opec, but it lost BNOC practically all its customers and plunged it into large trading losses as it paid a higher price for its participation oil (the official price) than the price at which it could sell.

Some government ministers have again started to question the need for BNOC, since the oil companies are willing and able to market their own oil. Security of supply, it is argued, can be achieved without BNOC, although this does pose Treaty of Rome problems.

The national interest, it is argued, would also be better served by diffusing the focus of both Opec and the foreign exchanges upon Britain's oil pricing policy.

At the time of going to press, these arguments were not resolved, although Mr Walker, having only recently given BNOC a clean bill of health, is hardly likely to change his mind so swiftly. Eventually, BNOC may go, but not yet.

Developments arising from the new licensing rounds and the recent upgrading of North Sea reserves

Activity at all-time high

Exploration

DOMINIC LAWSON

AS THE North Sea oil story moves into its third decade and production starts its inevitable decline, exploration activity on the UK Continental Shelf is at an all-time high.

This is not as paradoxical as it seems. The fact that the biggest North Sea fields have been discovered and are being depleted, means that companies wanting to replace their reserves must move very fast even to stay still. Put simply, it requires more exploration to find 10 fields of 100m barrels each, than it does to find one field of 1bn barrels.

The second reason for the active exploration programmes now being pursued by many companies in the North Sea lies in recent changes in the tax system.

Before the 1983 Budget the oil industry had been warning the Government that its policy of securing the maximum economic recovery of oil from the North Sea was being endangered by the taxation demand. Exploration drilling was indeed on a downwards spiral, and the Government became concerned that the international oil industry would carry out its threat of upping rigs and leaving.

In the Budget that year the Chancellor, Sir Geoffrey Howe, changed the tax laws in such a way as to make the North Sea one of the most attractive areas in the world for hydrocarbon exploration and development.

The industry was allowed to set off its exploration costs against the petroleum revenue tax (PRT) payable on oil production. This meant that companies with high levels of PRT could effectively drill £1 wells at a cost of 12p each. The long shots that company geologists had wanted to drill suddenly became an altogether easier proposition to put to the company finance director.

New records

In 1983, following the Budget changes, a record 128 North Sea exploration and appraisal wells were drilled. These produced 21 significant oil and gas discoveries, the best year for discoveries since 1975. According to Mr George Band, the director-general of the UK Offshore Operators Association (UKOOA): "In 1984 we have smashed even last year's record, drilling 181 exploration and appraisal wells."

North Sea explorers were given additional cause for optimism, with the publication of the Department of Energy's annual review of the North Sea—the Brown Book—in May last year. This upgraded official estimates of UK oil and gas reserves dramatically.

The department believes there is between 16 and 25 per cent more oil than previously calculated, and between 8 and 28 per cent more gas. The new estimates were based not on a re-assessment of the discovered fields, but of the potential of undrilled prospects.

Moreover, the figures stem from a recalculation of prospects in the mature and much drilled North Sea between 56 deg N and 62 deg N, rather than estimates as to what might be available in previously drilled areas such as the west of Shetland.

The 1983 Brown Book had estimated reserves to be discovered in the mature North Sea as up to 5.6bn barrels, but the 1984 review suggested the area could hold anything up to 14bn barrels of "new" oil. This top of the range estimate, which the department concedes has a low probability of coming true, is equivalent in size to all the developed and developing North Sea oil fields.

These figures were backed up in a review of exploration prospects by the UKOOA in September, which suggested that over the next 10 years, wildcat drilling in the mature North Sea "would likely yield" up to 4.1bn barrels of oil.

The UKOOA documents pointed out that 90 per cent of those discoveries were likely to be fields of less than 100m barrels, compared with the average size of 400m barrels in the North Sea's existing developments.

The oil industry has in turn demonstrated its confidence with record bids in the auction part of the ninth round of offshore oil and gas licences, producing for the Treasury a total of £120m from the 15 block auction.

Many of the highest bids went for part-blocks, which had been relinquished by previous unsuccessful owners. Indeed, any one of the auction blocks named in the ninth round could have been acquired for £5m each in the seventh licensing round. Only five years later, companies such as BP are prepared to pay anything up to £25m for the same blocks.

A consortium led by the U.S. oil company, Marathon, bid £19m for the block 16/8c, formerly licensed to Shell, in a part of the North Sea which has been highly favoured since Conoco's discovery of a substantial oil field in 16/8b in 1983.

This year, too, both BP and Shell returned to their blocks in the immediate vicinity of Conoco's find. BP on block 16/7B made what it claims is its biggest North Sea oil find since the 500m barrel Magnus oilfield was discovered. Shell's 1984 well on block 16/8a is, in the language of the industry, tight, but widely believed to have been a discovery.

Similarly promising activity has been evident near the Galley field in quadrant 15, and the Bruce field in quadrant 9. With prospects seen as good Conoco led a £11m ninth round bid for block 9/8B, just to the west of Bruce, and BP bid a record £25m for 15/18B.

Much of the ninth round attention, however, has been focused on what have been termed "frontier areas." The Government made a decision to license virtually unexplored areas West of Shetland and the Hebrides, with the inducement that companies which offered to drill in these hazardous waters would be given preferential treatment in the allocation of more obviously desirable ninth round acreage.

In April last year Britoil Esso, Amoco and British Gas began to drill wildcats in 2,000 ft of water West of Shetland, while the Atlantic weather was at its least awful.

The area had been seen as a potential oil province, but British Gas proved the pundits wrong by discovering very large gas flow rates on its well on block 214/30, the first West of Shetland gas discovery.

Gas discovery

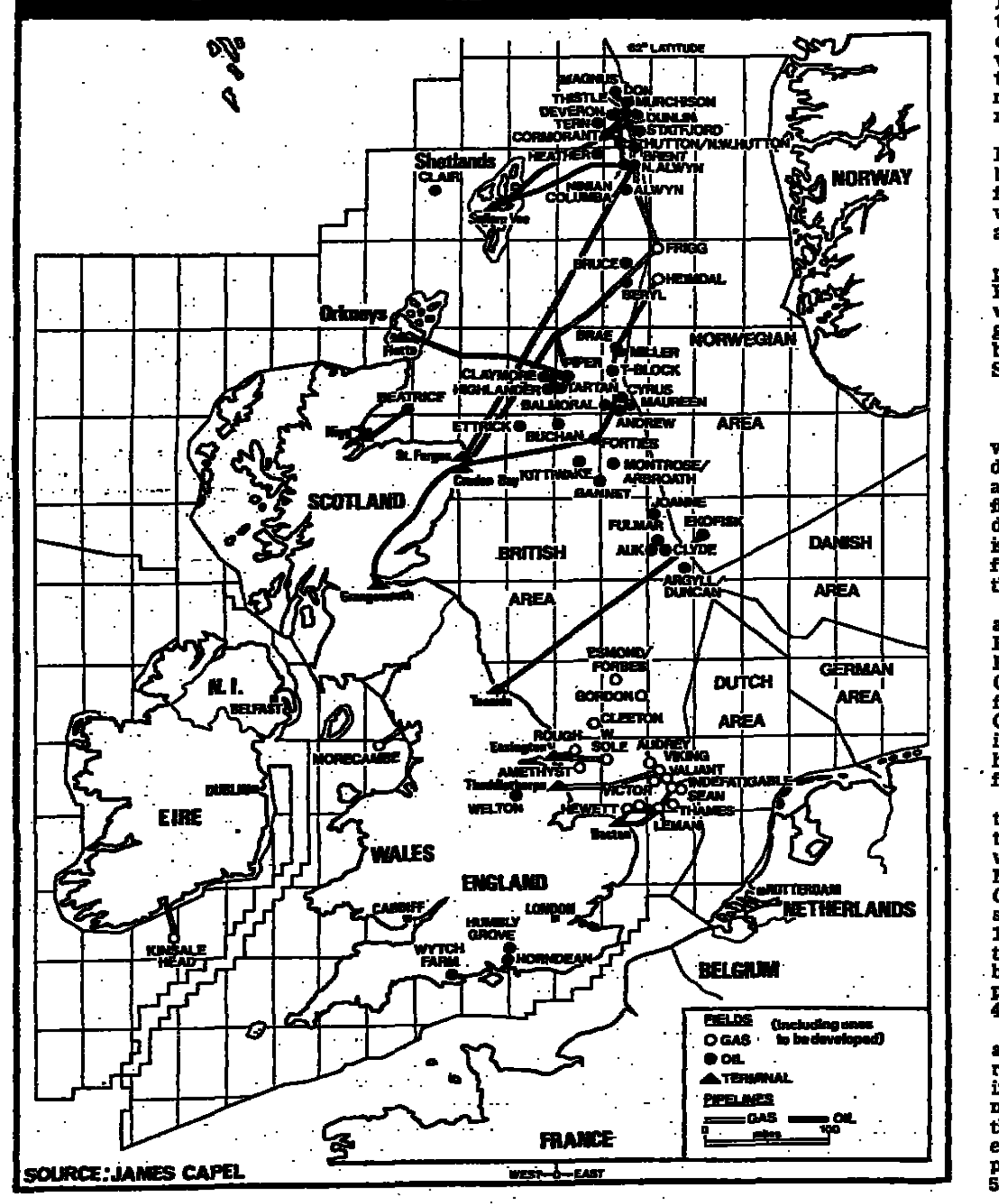
Although the oil industry would have rather seen an oil discovery, the proof that the area can generate handsome flows of any hydrocarbon undoubtedly increased the industry's interest in the frontier acreage on offer in the ninth round.

British Gas in August made a gas discovery in the south of Britain, too, four miles off Bournemouth's main beach, in Channel block 98/11. It was the first gas discovery in the Channel, and was once again, in an area where the industry had expected to find oil, if it found anything.

Gas in its own right has been the spur to a very high proportion of the record number of wells being drilled in the North Sea. With the British Gas Corporation's offer price shooting from 2p a therm in 1976 to about 24p a therm today, gas fields have suddenly become highly profitable, with post tax real rates of return of 40 per cent quite normal.

The new wave of gas exploration has, moreover, proved remarkably successful. According to Mr Malcolm Ford, joint managing director of Britoil, the discovery rate for gas exploration wells drilled in the past five years is no less than 50 per cent.

UK OIL AND GAS FIELDS



SOURCE: JAMES CAPEL

Anxious eyes on the oil price

Financial outlook

DOMINIC LAWSON

IN OIL exploration the big fields are discovered first and as the province becomes more mature, the discoveris tend to become smaller and the developments less profitable.

That is now becoming true of the North Sea 20 years on. The fields now in production average 400m barrels of oil in size and about 90 per cent of the second generation of North Sea fields contain 100m barrels or less.

Many of these fields, dubbed "marginal" by the industry, have been known for years, but neglected while there were bigger, more profitable pools to exploit.

That fact alone will provide new problems for the institutions that are called upon to provide financial backing for the exploration and development of the North Sea.

As if that was not depressing enough for the money lenders, however, they are also confronted with the spectre of falling world oil prices, and the impact that could have on one of the world's highest cost oil provinces.

For some years banks have been lending money in the North Sea on the assumption that oil prices would be flat for about two years, and then start to rise in line with inflation. Says Mr David Anderson, senior energy advisor at Barclays Bank: "We have had to push that increase further and further away, and the banks are now looking at flat nominal oil prices, falling in real terms."

The bankers are not panicking yet, however, because they know that, with the slump of the pound against the dollar the sterling value of North Sea production has, if anything, been rising for the past year.

This well established trend—falling dollar oil prices but stable sterling oil prices—leads some bankers to believe that more North Sea project loans will be sterling dominated rather than, as has been customary in the past, dollar denominated.

Borrowers would then begin to think of their revenues in sterling terms—because that appears to be the stable definition of their future earnings—and will as always want their liabilities in the same currency as their perceived steady flow of earnings.

While sterling loans have always been a feature of gas field developments, because the price paid by British Gas has been tied to sterling indicators, Mr Anthony Fawcett, assistant director of Barclays Energy Department believes that sterling may be used to a greater extent in future North Sea oil project loans.

However, it would be a mistake to think that the banks are in any danger of losing their shirt on previous loans, made at times of higher estimates of oil prices. Mr Chris Masters, head of National Westminster Bank's energy division points out that banks have always used a conservatively wide spread of possible future oil prices when making North Sea loans.

"If the oil price was to drop to $25 a barrel we would not be sweating. The problem would begin if the price fell below $20, and even then the oil companies themselves would be the real sufferers," Mr Masters observed. The point is that the banks operate a "cover ratio" that is the relationship between the amount of the loan, and the estimated future value of the production. In the North Sea a cover ratio of 1.2:1 would be the thinnest imaginable for a bank, even for a simple southern gas basin development.

Overruns

In earlier years of North Sea lending rises in the oil price helped the banks. Many of the first fields suffered horrendous overruns, partly because of the oil companies' own inexperience in handling developments, and partly because of high levels of inflation that gripped the UK in the mid 1970s.

With the marginal fields, there will be little room for cost overruns, and no rising oil price to come to the rescue. There are other more technical problems for the banker, too.

The "tail" in the field—the expected production which comes after the period in which the loan should be repaid—may be very short indeed. The lengthy depletion period of the earlier fields meant that there was plenty of extra oil in the kitty in case things went wrong, but with a five year production period likely in some fuure marginal fields, the bankers will have no such cushion.

As more and more banks have come into the market, competition to lend to the oil companies has become fiercer. Gone are the days of 2 per cent over LIBOR margins, or a fixed royalty of production. Instead, these are the days of pre-completion risk.

In this way the banks will lend during the construction phase. Security will simply be the belief that the field will come on stream and produce as planned.

Previously, the loan would go non-recourse only after the field had started production and the reservoir performance had been shown to be in line with predictions.

This pre-completion risk has become more widspread in part because the North Sea has become better understood by banks and oil companies, and the technology has become familiar to both. What will happen in the future, if fields are developed in waters much deeper than experienced to date, and demanding a whole new technology is unclear.

Will banks, anxious to win business, still take pre-completion risks? David Anderson, for one, hopes not.

"What will kill this business is when someone pushes that boat out too far, and the completion risk actually materialises. As far as the banks are concerned, that would be the first major North Sea project disaster."

Spotlight on management ability

Opportunities for suppliers

FEW BRIDES can have been wooed more assiduously than the suppliers of offshore equipment over the past year. Shell and Esso, in particular, have each issued major documents which attempt to explain what they want from suppliers and what heavy volumes of business are available to those suppliers that take the advice offered.

Shell and Esso both argue that between now and the end of the century about 90 new oil and gas fields could well be developed at a cost of some £60bn, almost twice the sum spent so far on North Sea developments.

Aside from the dictates of geological probability, the assumption is based on the *reasonable belief that the* Government will want to maintain UK oil production at the level of *self-sufficiency* for as long as possible.

Shell and Esso are directing their message at UK industry, thereby going to the heart of the most controversial North Sea issue of the moment — the performance of British companies in the offshore supply business.

Two developments in particular have served to bring the issue to the centre of the stage. First, a new pressure group, British Indigenous Technology (BRIT) was formed last year, in order to press the claims of UK businesses to a greater share in future North Sea orders.

Second, and much more important, there has been a consuming interest in the matter from the government department responsible for the North Sea. The Energy Minister since the General Election in 1983 — Mr Alick Buchanan-Smith — represents a constituency which borders Aberdeen, the heart of the UK oil industry and he sees the success of UK companies in the offshore oil game as his top policy objective.

Adding to the pressures on the major oil companies, and the UK Offshore Operators Association, Mr Buchanan-Smith is currently deciding which companies should be awarded ninth round North Sea licences.

The campaigns from BRIT and from the Energy Department at Millbank, however, have quite different emphases. The offshore suppliers' ginger group adopts the blunt approach, arguing that, simply, they are not getting a big enough share.

Their complaint is that the official figures which suggest that about 70 per cent of the value of offshore orders are placed in the UK are misleading. About half of these orders go to the UK-based subsidiaries of foreign, mostly U.S. companies, and only about a third of the total North Sea order goes to UK-owned companies.

The Energy Department's point is that UK industry, while competent in the low technology basic industrial processes required in the North Sea, is inadequately represented in the high technology exportable products which are specific to the oil exploration and production business.

The most publicised attempt by the Government to win UK companies a bigger stake at the sharp end of North Sea technology, is the stipulation that contribution to UK-owned offshore R and D will be a key factor in the acceptability of bids for acreage in the 9th round of offshore oil licences.

Behind the scenes the Department of Energy, through its watchdog, the Offshore Supplies Office has been engaged in more substantial manoeuvres to strengthen the UK offshore industry.

The OSO has been instrumental in attempts both to rationalise the offshore sector, and to encourage well-managed *industrial groups, such as* GEC and BTR into the sector. This drive appears partly based on the belief that the oil industry *is increasingly looking for* companies that can provide a turnkey operation. Thus, vertical integration, such as Trafalgar House has been pursuing, is seen by the Government as a trend to be encouraged.

Having reached agreements with the Government to buy both RGC Offshore from British Steel, and the Scott Lithgow *yard* from British Shipbuilders, Trafalgar House was given strong backing by the Offshore Supplies Office in its formation *of Trafalgar Davy Offshore*, a joint venture with Davy Corporation, the big UK engineering group, late last year.

Hitherto only companies with a large degree of U.S. control, such as McDermotts or Bechtel, have offered the kind of integrated engineering and construction package that TDO will now attempt to sell.

However, one key element in a turnkey North Sea package sadly absent from the TDO prospectus, is the capacity to carry out heavy lifts, an essential part of the *installation* of a North Sea platform.

This absence is one of the sore points with the OSO which *had spent* much time trying to encourage Brown and Root to commission the building of a vessel with a capacity to lift up to *9,000* tons.

But the plan did not work, partly because UK companies could not be found prepared to work to the price that Brown and Root felt would make the venture feasible, and partly because it appeared that UK companies were not prepared to risk large amounts of capital for a vessel which would not be guaranteed work.

By contrast, suppliers from other countries such as Heeremax of Holland have been prepared to commit large sums to the construction of vessels with no proven market. Similar reasons lie behind the absence of UK companies from the North Sea pipe-laying barge market.

The OSO now appears reluctantly to accept that the UK may now have forever lost the chance to compete in these markets, barring heavy state *support*.

However, even outside these specialised high risk markets, the consensus is that UK industry could get much more out *of* the basic low technology end of the North Sea supply business, simply by a general raising of management standards, and all round efficiency.

In a report published earlier this month the National Economic Development Office warned that high prices, weak management and inferior design may deprive the UK of billions of pounds of orders from the offshore oil industry over the rest of the century.

The NEDC report argues that *this management weakness will* become increasingly exposed, and that the most successful yards will be those with the *most flexible working practices.*

The second phase of the North Sea development may well see a sharper than ever *contrast between the over-*booked favoured yards, and yards whose management is deemed unreliable by the oil *industry.*

"With fields such as Brent, we could throw cash at a problem. But margins are too tight now to afford such a policy. The oil industry will increasingly judge suppliers not by their physical capacity but by their management capacity," Mr Chris Ledger, on secondment from Shell at the Energy Business Centre, says.

Mr Ledger believes that the main reason, apart from management, why the UK is under-represented in its own North Sea backyard, is that British industry originally saw the North Sea as too transient a feature of the industrial landscape to justify a major effort.

He points out despondently that at a recent Energy Business Centre open day, most of the voluntary exhibitors were foreign firms.

"It appears that British industry still hasn't learnt the lessons. They thought that the North Sea would be a nine-day wonder, and 20 years later, they are still saying it."

Dominic Lawson

Probable Future Developments

Field	Reserves	Operator	Estimated start-up	*Capital costs ($m)
Andrew	70-80 m.bbls oil 100 BCF gas	BP	1989	900
Don	90-110 m.bbls oil 40 BCF gas	Britoil	1990	1,000
Eider	75 m.bbls oil 30 BCF gas	Shell	1989	1,250
Ettrick	50-70 m.bbls oil	Britoil	1989	650
Gannet	150 m.bbls oil 500 BCF gas	Shell	1991	1,300
Innes	6 m.bbls oil	Hamilton	1985	40
Kittiwake	56 m.bbls oil	Shell	1991	700
Miller	225 m.bbls oil 300 BCF gas	Conoco	1989	1,500
Tern	165 m.bbls oil 40 BCF gas	Shell	1989	1,550
Tiffany	80-100 m.bbls oil	Phillips	1990	1,200

Source: Wood MacKenzie

PROFILE: PETER EVERETT

Peter Everett, managing director of Shell UK Exploration and Production

Taking outside line to the top

WHEN THE job of running Shell UK's exploration and production interests fell vacant at the end of last year, Peter Everett's name was not on most form sheets.

It was assumed that from the large bank of highly qualified people already occupying *either Shell-Mex House* (Shell UK's headquarters) in London's Strand or the international offices at Shell Centre across *the river*, a successful candidate would be found.

Instead, Shell decided to give the managing director's post which looks after the major part of a £6bn a year business and it is perhaps the most prestigious job in the North Sea—to a man who has never worked in the UK, except for a brief period as a student coal mining engineer *before he joined Shell.*

Dressed to receive visitors in a golfing pullover, Mr Everett, 53, does not look like the identikit Shell executive. But his career is, in many respects, the model upstream Shell story.

Born in London but raised largely in Scotland, the son of a civil servant, he qualified as a mining engineer at Edinburgh University before discovering during six months of coalmining in Scotland and coppermining in Rhodesia, that he did not like life underground.

"What can a mining engineer do if he doesn't want to be underground? — Oil." Shell arrived for the university milkround and he was on board.

Setting out

Like many Shell men he began in Holland, before setting out for Indonesia and the first of a string of outposts as what in those days was known as an "exploitation engineer." After the wind of change, the job description has been altered to "petroleum engineer."

He was in Nigeria during *the* first oil shock. "We wondered two things. Whether there would be any more E and P (exploration and production) for us to do and we said 'There's no way Nigeria can spend four times the amount of money it's already getting'." Even Shell managers get things wrong.

There were two spells in Nigeria, one in Trinidad and three in Brunei, where eventually Mr Everett became managing director of Shell Brunei, which accounts for 95 per cent of the country's economy. "I could walk into the Prime Minister's office at any time," he says. The Sultan of Brunei has just bought the Dorchester Hotel.

The life of an itinerant engineer and manager, has, he says, been an enjoyable one. He was only once tempted to look for work in the UK, when he first faced the choice of sending his four children to boarding school.

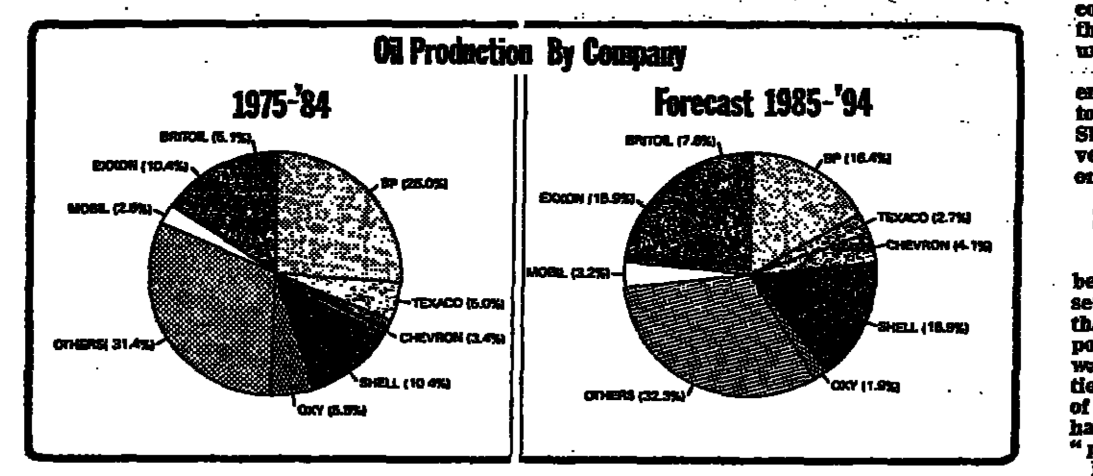
Once that wrench was made, he was happy to think of ending his career somewhere remote and hot before retiring to Edinburgh and re-*newing regular contact with* his old rugby club, the Watsonians. His daughter now lives in Kenya, his son is a mining engineer with De Beers in South Africa and he has two sons still being educated in Britain.

But what he now calls "the Shell cocoon" was not to last. The world of income tax, commuting from Wimbledon and lack of exercise — he is a *golfer — have him in their* grip.

Why does he think he was picked for the job? "This *is a very big operating* company and I suppose you need somebody who already had experience of running a big operating company. My experience does not happen to have been in the UK, but that is somewhat irrelevant."

Perhaps he is right that Britain and Brunei are not all that different. The other day, addressing fellow executives on the importance of buying *British equipment*, he proclaimed: "Shell UK will be a good citizen of Brunei."

Ian Hargreaves



Call for rationalisation

ONE of the most striking manifestations of corporate changes wrought by 20 years of North Sea oil and gas exploration can be seen inside the back page of the Financial Times.

In 1964 the number of quoted oil companies listed there barely reached double figures. The number now is well into three figures, with the overwhelming majority of new entrants appearing in the past 10 years after North Sea oil production arrived.

A closer look reveals an *extraordinary* number of gaps where dividends and earnings ratios would usually appear, however.

This illustrates a truth which early North Sea investors often refused to realise: that oil exploration is a risky business, *especially for* the small and under-capitalised.

But the list understates the problem. Hidden from scrutiny *are the established companies* in everything from food to electronics which invested profits in often-barren searches for North Sea oil.

A series of industrial companies have left the scene in the last year or two, such as British Electric Traction, Fluor and Unigate. It is likely that as the prospects of major finds become increasingly remote many more "non oil" explorers will sell their North Eea acreage—probably for little more than the nominal costs of earlier exploration.

Many leaders of the successful first-generation exploration companies such as Mr Colin Phipps, of Clyde Petroleum, and Mr Tony Craven Walker, of Charterhouse Petroleum, have been advocating a shake-out, and consolidation of small "*pure" oil exploration and*, production companies.

In spite of their numbers, the small UK oil companies own *only about* 7 per cent *of North* Sea oil reserves and 4 per cent of its gas reserves.

Mr Tony Craven Walker says: "The smaller companies will be taking greater drilling risks because of the move into deeper and more hostile waters and the investigation of riskier prospects. These pressures will encourage rationalisation and the emergence of substantially larger and better diversified British companies."

The Government has made a strong contribution to this trend last year when it created Enterprise Oil out of the North Sea assets of the British Gas Corporation. In order not to avoid becoming a self-liquidating asset, Enterprise will need to take over the best parts of the exploration portfolios among some North Sea minnows.

But the carnivorous trend predicted by Messrs Phipps and Craven Walker has yet to develop into much of a feast.

Corporate scene

When Carless Capel and Leonard used similar arguments in a £100m attempt to take over Premier Consolidated Oilfields last year, it was resoundingly *rejected by Premier's* shareholders, although the offer was not ungenerous.

One of the catch phrases of North Sea corporate life is "tax efficiency." This stems from the 198 3Budget, which gave the oil companies the tax break of their *dreams*. Companies could offset tax on their oil production against North Sea exploration costs.

The "tax *efficient*" company could explore at a cost of 12p in the pound, with the Government paying the difference. The aim was to encourage exploration, which had been discouraged by harsh tax regimes.

A loophole was quickly spotted by British Petroleum. By selling highly taxed oil production areas in tiny slices to small explorers without full tax relief, both parties could do well at the Government's expense. BP auctioned 12.5 per cent of its Forties field in 0.25 per cent sections.

Last year *Occidental, the U.S.* oil company, auctioned small bundles in its Claymore field to 12 companies.

The Department of Energy did not disguise its distaste for these deals, which it believed did not encourage exploration, but merely enabled *non-*operators to get Government finance for a few wells which would probably have been drilled anyway.

The final straw came *when* companies asked to sell parts *of their* newly-lacquired Forties production in e ven smaller slices to even smaller companies.

To avoid the creation of a secondary market in North Sea production, the Government introduced a rule, limiting the number of partners in any North Sea licence to not more than 10.

But Mr Michael Unsworth, oil analyst at stockbrokers Scott Goff Layton, insists that the City still has plenty of time for small *North Sea oil companies*. He says the investing public have not forgotten successes such as LASMO or Saxon Oil, where a small company *had* grown because it was highly geared to *one* successful exploration well.

In recent months exploration stocks have underperformed the FT All-Share Index by up to 30 pr cent. But Mr Unsworth says that represents a good perform*ance against* a weak oil price and a bull market in other industrial sectors.

The fall in the pound against the dollar (in which oil is priced) has meant that the North Sea independents have been sheltered against the worst effects of Opec's policies.

Mr Craven Walker says: "Because of the weak pound we are making far more money than we had budgeted for, and *we can't find enough wells* to drill. But that's not a terrible problem to have."

D.L.

Higher prices lift rate of drilling

Gas

DOMINIC LAWSON

GAS IS NOT so appealing as oil. "Striking oil" is front-page stuff. "Striking gas" is a phrase which fails to conjure up the same images.

The reasons for this are hard to analyse, but in the hey-day of the Organisation of Petroleum Exporting Countries, oil suddenly became a symbol of great chauvinistic potency. The general public has yet to appreciate that the Soviet Union holds the position of world gas supplier of last resort, a political fact intrinsically more controversial than the similar role of Saudi Arabia in the pattern of oil supply.

Over the past year gas in the UK has been a much more interesting and important story than North Sea oil. Up to 1979 the British Gas Corporation (BGC) had to work hard finding markets for the first generation of Southern Basin North Sea gas fields and saw no need to offer suppliers the attractive prices that would encourage more gas exploration and discoveries.

The inevitable then happened. Gas drilling in the North Sea dwindled almost to nothing, leading to the shortfall in UK gas supplies which the BGC insists will have to be filled by additional gas imports from Norway in the mid-1990s.

However, the very attractive prices that British Gas has been offering North Sea gas suppliers since 1979, in an effort to encourage UK suppliers, have, if anything, been too successful for the Corporation's own comfort, at least in its other role as an advocate of imports.

The rate of drilling has soared, and more importantly, the success ratio has been unexpectedly high. In a lecture last year marking the 20th anniversary of the first North Sea licence Mr Malcolm Ford, the joint managing director of Britoil, pointed out that one in two of the gas wells of the past few years had found gas. He went on to cast doubt on the estimate of UK gas reserves in the then freshly published 1984 Department of Energy Brown Book estimates, arguing that they were too low.

Mr Ford has been swiftly vindicated, since it now appears that the Energy Department will soon announce that it has, indeed, upgraded its estimates of UK gas reserves by about 20 per cent. The Brown Book had calculated proven and probable gas reserves of 40.6 trillion cubic feet, equivalent to over 25 years of UK demand for gas.

The rapid discovery rate has been a key factor behind Government's antagonism to British Gas's attempt to import \$30bn of gas from Norway's Sleipner gas field to supply the UK in the mid 1990s. The rapid depreciation of the pound against the dollar, in which the Sleipner contract is denominated is a second factor, although this is a point which is probably of more concern to the Treasury than the Department of Energy.

Marked gap

However, it is one thing to have the reserves, but quite another to exploit them. The UK Offshore Operators Association (UKOOA), which has publicly opposed the Sleipner deal, has produced an exhaustive study of gas discovery and development prospects in the North Sea to the year 2000, which postulates a marked gap between UK gas supplies and indigenous demand in the 1990s.

The UKOOA's asssessment is grounded in its sober realisation of the limits of UK industrial capability. Taking as a starting point the Government's policy objective of seeking to maintain production at the level of UK oil self sufficiency for as long as possible, UKOOA predicts the construction of eight North Sea platforms a year, four oil, three gas and one gas/condensate.

This is itself a greater rate of development than has hitherto been seen in the North Sea and the gist of UKOOA's assessment appears to be that on a realistic analysis of industrial capability, the UK may not be able to achieve self sufficiency in both oil and gas for the rest of the century.

The Department of Energy believes that maximum recovery of hydrocarbons must be the basis of any field development plan.

The future of North Sea gas production will also involve the development of ever smaller gas fields, and here the most optimistic assessment is held by British Gas itself. While the UKOOA analysis quotes a minimum size of 175 billion cubic feet for any gas field to be developed this century, British Gas believes that anything above 35bcf is economic, at least in the southern North Sea.

Mr Harold Hughes, director and general manager of the British Gas Exploration Companies, speaking last year, envisaged the development of such tiny fields, based on a belief that the accepted process of discovery exploration, appraisal and development could be telescoped, with just one or two wells filling all these roles in turn.

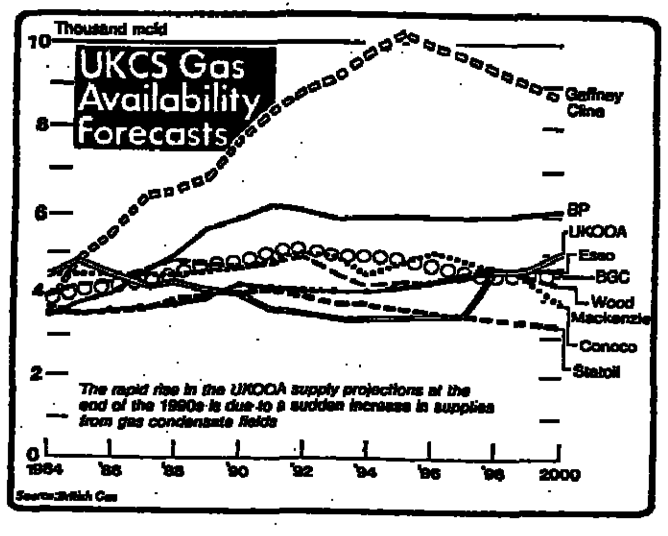
Mr Hughes also envisaged the construction of a SWOPS type system, as developed by BP for oil development, but adapted for use on small gas fields. This would be a vessel which moves between several hydrocarbon accumulations, drawing in the hydrocarbons from each in a rota system, and returning to each when the natural pressure in the reservoir has been restored.

Mr Hughes noted that the Corporation has invited many contractors to talk about such a project but that "nobody has available a fully engineered and proven set of equipment which might be the gas version of the BP SWOPS oil production system."

Mr Hughes, however, questions the hope that the new smaller fields, would be rapidly tied into the jointly owned pipelines.

With all the arguments about gas supplies, the demand picture is itself not an unalterable tableau. Recent forecasts made by the Department of Energy and the BGC show that the Department's estimates of the UK industial demand for gas at the end of the century are much lower than those of the Corporation. It is difficult to avoid the impression that behind the British Gas advocacy of imports is a determination to maintain its hold on the industrial energy user. The Government has other ideas, not least the political incentive of being able to declare coal mines "economic."

A further clash between the Corporation and the Government may yet come over the question of exports. If the Government truly believes its own free market convictions it could move to link the UK with the continental gas grid, and thus enable gas prices in the UK to reflect real market forces, rather than be, as at present, a game of poker between an effective, if not actual, monopoly buyer, and a handful of major oil companies.



Central estimates of UK gas demand

(million cubic feet per day)

	1985	1990	1995	2000
British Gas	5,100	5,600	5,600	5,600
Wood Mackenzie	4,900	5,500	5,900	6,200
BP	4,850	5,500	5,550	5,450
Esso	5,050	5,450	5,700	5,750
Conoco	5,400	5,800	5,700	5,700
Statoil	5,000	5,200	5,400	5,600
Gaffnev Cline	5,300	5,800	5,900	6,100

Source: British Gas

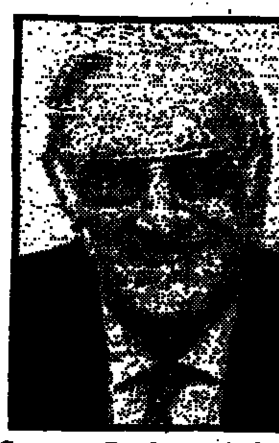
PROFILE: GEORGE BAND, DIRECTOR-GENERAL OF THE UKOOA

New heights to scale

MANY OILMEN talk fondly of being in at the start of the North Sea oil and gas story. Few can claim it with as much validity as Mr George Band, the director general of the UK Offshore Operators' Association.

In August 1959, Mr Band's first job with Shell was on the first exploration drilling at Schlochteren, on the north coast of Holland. This was the well which uncovered the Groningen gas field. It did not take long for geologists to recognise that the deposits continued out to sea and the development of the North Sea began.

Mr Band is not an explorer but a petroleum engineer, who throughout his 26 years with Shell has been concerned with getting the most out of mature oil regions such as the U.S., Malaysia and Venezuela. So he considers himself an appropriate choice as the second UKOOA director general, as the North Sea takes on the status of a mature region.



George Band: petroleum engineer with a hankering for mountaineering in the Himalayas

Regrets

The association was coming out of its shell now that the UK industry itself had come of age. It has produced surveys on the prospects for North Sea development to the end of the century, and on the scope for recovery from existing fields.

In a further bid for public exposure Mr Band says he has taken up "modest wining and dining of MPs."

His best efforts must be to persuade ministers and civil servants of the reasonableness of oil industry requests.

Before he joined the association at the beginning of last year, Mr Band had been Shell's government and public affairs director, so he is used to dealing with government.

The Band method is to identify areas where the interests of government and the oil companies coincide, and push that." Hence his emphasis on the campaign for tax reliefs for incremental oil recovery. "We and the Government are committed to maximum hydrocarbon recovery."

Mr Band is committing himself to only a three-year term at this stage. He has had a lot of offers from independent oil companies wishing to beef up their boardrooms, but Mr Band has ambitions that lie far from the comfort of the City of London.

"I would like to walk the length of the Himalayas," Mr Band says.

The modest Mr Band, it turns out, was a member of the expedition which conquered Everest in 1953, and for four years after leaving university described himself as an "explorer and writer." Some of his experiences are described in his book The Road to Rakaposhi.

Mr Band says he has some regrets that he did not stay a professional mountaineer, but he decided that "it did not provide for old age." Now that he has taken care of that problem, it would not be surprising if he returned to the haunts of his first profession.

Hydrocarbons and George Band will not stay apart for long, as the dramatic start to his career with Shell indicated.

In 1978 he set up home in Hampshire: two years later the Humbly Grove oil field was discovered a few miles from his front door.

"I've got a paddock of one acre and if they want that as a drill site I'm agreeable," he says.

Frustrated mountaineer he may be but Mr Band is also an incorrigible oil developer.

Dominic Lawson

Welcome for new wave of exploration

Scotland

MARK MEREDITH

OFFSHORE OIL and gas development is big business for Scotland. Oil has helped fill the void left by Scotland's declining traditional heavy engineering sector and has joined electronics as a new a "sunrise" industry in the Scottish economy.

Above all, it is a big employer. About 66,000 of thetotal 100,000 jobs in the UK directly or indirectly involved in oil are north of the border. About 40,000 of these jobs are in the Aberdeen area and they have helped to transform the local economy.

The new wave of offshore exploration and development now underway is particlularly crucial for Scotland. Yet whatever the prosperity brought by the offshore industry, there is a feeling among planners that Scottish industry must do better: it must improve its penetration of the high technological side of the industry, to make a lasting impact and best employ its resources.

UK industry, in general, is trying to get a better grip on North Sea oil industries. The official figure published by the Department of Energy is more than 70 per cent, but this includes the contribution of the UK subsidiaries of foreign largely American companies.

When Britain started to develop its offshore oil and gas reserves in the early '70s, importing American oil support industries along with American expertise was part of the price paid for the rush towards self-sufficiency.

Claw back

Since then, the Department of Energy has been trying to claw back the British participation through insisting that oil companies bidding for offshore licences show "full and fair" opportunities for British contractors.

The oil companies would argue that they are doing their bit, especially when it comes to creating jobs. The big steel fabrication yards in Scotland — some employing 2,000 men — now make virtually all of the large offshore platforms for the North Sea. An increasing amount of the equipment helping to extract and process the oil and gas has a "made in Britain" tag on it.

What worries the increasingly vocal lobby for greater British penetration of this market is the need for much more extensive participation in areas of high technology. They are looking towards the end of the century when offshore oil supplies are in decline and new offshore fields in other countries are in development.

Whether Britain will have an exportable oil technology by then is often the question. It is unlikely that offshore oil developments in the South China Sea, for example, will mean contracts in the relatively unsophisticated area of steel fabrication for Scotland. There are highly competitive yards in South Korea and Japan closer at hand, and Chinese yards will be anxious to handle as much of the work as possible.

British oil industry companies find getting into the high technology business a bit like entering the acting profession, where you cannot get on the stage unless you carry an Equity card and you cannot get an Equity card without some stage experience.

Conservative

The oil companies are run by conservative people, fearful of the vast expense involved in downtime to make repairs, and are loth therefore to use untested and untried equipment. Winning their confidence has been the big problem.

Scottish industry is so close to developments taking place in the UK that many would expect proximity itself would be sufficient incentive for a broad assault on the market.

But like other industrial sectors in Scotland, the participation of Scottish companies has often needed some hefty pushing by officialdom to get it going.

One push comes through the Department of Energy's licencing system. For the ninth round offshore the department has notified oil companies that it will pay special attention to their plans to use British research and development facilities in making its decision to award licences.

The Scottish Development Agency, the main industrial promotion body for Scotland, has recently become the second significant factor in pushing the Scots companies forward.

A consultant's report commissioned by the agency identified a number of areas where Scottish companies could make some headway. These included downhole products, enhanced oil recovery techniques and subsea systems, such as unmanned remote controlled vehicles for inspection and maintenance.

Another area is both the most obvious and at times the most confounding: electronics. Scotland has a big electronics industry with over 40,000 jobs. It houses Europe's largest concentration of integrated circuit manufacturing and personal computer assembly.

By encouraging foreign electronics companies to set up in Scotland, the SDA wants to encourage Scottish companies to set up and service them. Furthermore, it wants the Scottish managers hired by the multinationals eventually to break away and set up their own companies producing new products and services.

The job of applying the electronic resources to industry has not been easy but the opportunities are there. The previous generation of offshore platforms pre-date the most recent successful development of computerised control or instrumentation systems. The modern generation of platforms now being commissioned and those on the way will rely increasingly on electronics.

The SDA hopes the same approach it has used for electronics, might work in offshore industries. By bringing in foreign companies, Scots working for these companies may, after gaining experience, try to go it alone.

The market is promising. The government expects about £580m in fabrication orders for offshore oil and gas development in the coming year. Twenty development plans offshore are likely to get the go-ahead from the Department of Energy.

Oil exploration is also moving around to the west of Scotland from the northern North Sea. The technological challenge will be to produce equipment to operate in waters much more unfriendly than the North Sea.

The west coast of Scotland is also desperately hoping for the benefits which such oil discoveries could bring to the western Highlands, Argyll and Ayrshire in terms of new support bases.

Successes

Three of Scotland's four fabrication yards in fact now have work after a year of some uncertainty. Highland Fabricators and Mcdermotts, both near Inverness, have a part of the £2,314m in fabrication orders for Marathon's Brae "B" project. The RGC yard at Methil in Fife is working on Total's Alwyn field.

The technological successes are there. The planners say Scotland needs more of them. Companies already demonstrating their ability include the Glasgow-based Weir group with a downhole pump that has already won export orders from Libya, Algeria and the U.S.

Osprey Electronics in Aberdeen have developed an underwater television camera which has sold well to industry. UDI, a subsidiary of John Brown Engineering, have made seabed vehicles to lay pipes and carry out inspection at great depths. Small companies like Elmar have taken on international giants like Schlumberger in logging equipment. Seaforth Maritime and the John Wood Group have branched out into the wide area of offshore supplies.

Suppliers rise to the challenge

Production systems

MAURICE SAMUELSON

WHEN THE North Sea oil rush reached its peak in the 1970s, the engineers who built the drilling and production platforms were deeply influenced by experience in older offshore oil fields, particularly in the Americas.

This was reflected in the vogue for steel structures, built at enormous expense and justifiable only by the size of the oil reservoirs lying beneath them.

Since then, the industry has matured in two ways: most of the large fields have now been developed but the experience along the way means that local expertise can take the lead in tackling the next stage in offshore production.

Summarising the challenge to UK suppliers of platforms and equipment the latest NEDO report on the offshore industry says: "They will have to demonstrate a capability to innovate and to remain competitive if they are to maintain their high share of the UK offshore market."

Here the challenges will be characterised by smaller fields, deeper water and more complex geology. They will require new methods for removing the oil and gas, using floating, semi-submersible platforms or remote-controlled well-heads completed on the sea-bed.

In the case of the floating or semi-submersible platforms, the main difficulties are how to keep them stable in some of the stormiest seas in the world as well as the methods of conveying the oil and gas to the refinery or other storage point.

There are already many innovations in the North Sea which will be adapted in future, as well as many new systems on the drawing board ready to be tried out in the next few years.

Although UK oilfields already have a few floating production vessels (FPVs) nearly all of them are converted drilling rigs or tankers rather than purpose built stuctures.

For example, oil on the Duncan and Argyll fields was initially produced from the converted drilling rig Transworld 58, which has been replaced by Deepsea Pioneer, another modified vessel.

The first major departure from a production platform built on the sea-bed is the £1bn tension leg platform on Conoco's Hutton field, 90 miles north east of Shetland.

The cables tethering it to the sea-bed in 485 feet of water are kept taut by the buoyancy of the platform, which rides on them like a balloon filled with hydrogen. It draws nearly 100 feet of water and is designed to withstand the once in a 100-year storm which, in this part of the sea, includes a 98-foot wave.

The TLP, which was formally opened in December, had had a chequered career since construction began in 1981, and much remedial work had to be done to ensure that it could withstand fierce conditions.

Nevertheless, within months of the first oil flowing from Hutton, Conoco was so satisfied it laid plans for a second TLP, in the Gulf of Mexico, for depths of more than 2,000 feet. Mr Harry Sager, Conoco's UK chairman, also sees the TLP's development as "particularly significant in the context of the new frontier areas to be opened up in the UK."

The first purpose built floating production vessel—a term which cannot be applied to Conoco's TLP—is that being built for Sun Oil's Balmoral field.

Swedish contract

To the chagrin of UK fabrication yards, Sun Oil decided to award the contract to Sweden's Gotaverken Arendal (GVA), whose bid was commercially preferable to those submitted by Highlands Fabricators and Howard Doris.

The incident, which rankles deeply with UK suppliers, has not deterred them from pushing ahead with radical new designs for the next stage of North Sea production.

One of the most widely publicised is the Swops concept, developed by British Petroleum. Essentially a floating production, processing, storage and transport system, it consists of a dynamically-positioned vessel, a riser system and subsea wellhead.

The ship, with powerful thrusters fore and aft, is able to locate and remain stationary over a wellhead and establish oil production by the connection of a riser to the wellhead.

Gas separated during the oil stabilisation process is used as fuel to power the vessel and its thrusters. It also stores the oil produced from the oilfield and when it is full, it disconnects from the well and transports it to port.

Steady production can be maintained by having more than one vessel shuttling between the oilfield and the discharge point. In addition, the Swops vessel can carry out cheap extended well tests, an activity for which there is a large and growing market.

The first Swops vessel, to be built at Harland and Wolff, Belfast, will be used on the small Cyrus field, 150 miles north east of Aberdeen. Expected to begin operating in 1987, it will initially produce 15,000 barrels a day and is expected to recover more than 10m barrels.

An engineer at Bechtel, which has been involved in most major North Sea developments, has said that with Swops, BP "are definitely on to a winner."

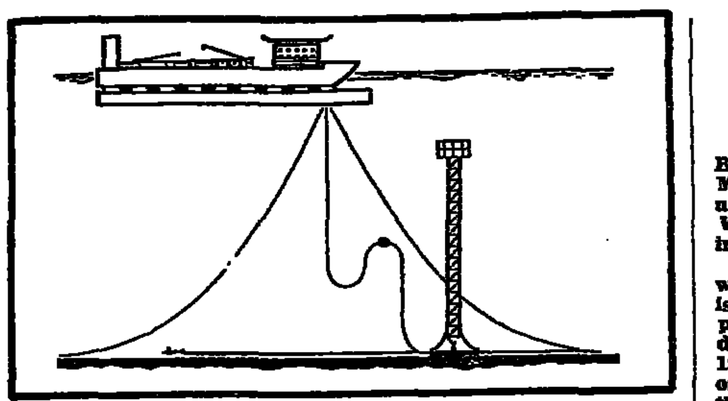
Even so, the first purpose-built floating production vessel to operate in the North Sea could well be a rival concept developed by the Norwegians.

Designed to operate in deep, harsh water environments, the still unnamed system was designed by Tentech of Oslo. The plans were acquired by Norway's Golar-Nor Production, which hopes to build and operate the vessels on contract to oil companies worldwide.

One notable feature is a turret mooring system allowing the vessel to swivel like a weather-vane, so reducing roll motions and mooring loads. It is intended for water depths of 300 ft to 1,200 ft and could, with modifications, operate in 6,000 ft. Golar-Nor claims

Among British designers of cheap floating production systems are Worley Engineering, Foster Wheeler and a newly formed consortium of Brown Root-Wimpey Highlands Fabricators and Mitsui Engineering and Shipbuilding.

Worley has come up with the Floating Oilpatch, recommended for marginal fields in the Central North Sea and water depths of about 450 feet. The above the water section looks like a ship however, it has a second, underwater hull and, like the Tentech design, incorporates a turret mooring system.



One of Worley Engineering's concepts for a field in the Central North Sea

It is connected to specially designed subsea components.

The latest contender is the semi-submersible production vessel offered by Highlands Fabricators and Mitsui. Called Highlander 6000 it is specifically designed for marginal fields in the central North Sea in the 300 feet to 600 feet water depth range.

The deck would be built by Hi-Fab at Nigg Bay and the hull by Mitsui. Both main components would then be "wet mated" at sea. If ordered for the North Sea this would be carried out in Cromarty Firth. However, with an eye on export markets, Hi-Fab stresses that this can be done anywhere in the world.

Steel frame

Unlike Swops or the Norwegian floater, the Highlander resembles a square drilling rig rather than a ship. Its hull is a rectangular steel frame surmounted by eight cylinders which support the deck. The designers say it aims to "maximise ease of fabrication and minimise cost and construction time while meeting the strictest safety regulations and maintaining good motion characteristics."

Parallel with floating systems, greater attention is also being placed on subsea production facilities. These are already established in the North Sea to produce extensions from existing fields or from satellite reservoirs.

They can be linked by flowlines to fixed or floating platforms and can comprise single wells or a number of wells linked by a template and manifold into a single system.

The first commercial example was the Underwater Manifold Centre (UMC) developed by Esso for the Cormorant field, 100 miles north east of Shetland, operated by Shell.

In future, sub sea facilities are expected to become the sole method of exploiting new, small fields in deep water, where it is difficult to control production from the surface.

A logical extension of this trend would be to place process equipment on the seabed as well, presenting new challenges and opportunities for equipment suppliers.

PROFILE: ALICK BUCHANAN-SMITH, ENERGY MINISTER

In the thick of it

BRITAIN'S Energy Minister, Mr Alick Buchanan-Smith is, unlike his boss Mr Peter Walker, popular in the oil industry.

Mr Walker, pre-occupied with the coal strike and, it is said, suspicious of oil companies since his ministerial dealings with them in the 1973 oil crisis has given little of his personal time to either the industry's ceremonial or administrative demands.

That has left a large gap which Mr Buchanan-Smith, 52, an Aberdeen MP from the oil industry's heartland has been delighted to fill. But as it has turned out, Mr Buchanan-Smith has had almost as turbulent a time of late with the oil business as Mr Walker has had with the miners.

At his most fluent and expansive when leading an export drive or proclaiming the excellence of British goods, Mr Buchanan-Smith is inclined to play the straightest of bats to political googlies like: is BNOC good for Britain?

Perhaps his finest hour, or hour and a half, came in December when, grilled by Commons Energy Committee about his handling of oil prices, he managed, without breach of courtesy or trace of humour, to say absolutely nothing at all.

The rumpus had begun with the minister's decision, last July, to write to the oil companies asking them to help prop up the price of crude. Although British ministers have for years been pursuing the same ends by more subtle and deceptive means, it was characteristic of Mr Buchanan-Smith to take the bull by the horns and then argue to a critical committee that he was doing it for Britain.

Alick Buchanan-Smith: popular in the oil industry

He says he went into politics in the first place not out of some strong ideological conviction, but because he enjoys "public service." At Cambridge, where he read economics under the supervision of devout Keynesians, he preferred rugger to politics and debating.

He left Cambridge expecting to run the family farm and dairy business—Cockburn Farm's milk and cream is the Buchanan-Smith family label—but found himself pressed into service to fight Willie Hamilton, the fiery Fife republican, in the 1964 general election.

Five years later he was rewarded with a safe Scottish seat and by 1974 he was front-bench spokesman on Scottish Affairs. Whether it was inexperience or high principle which led two years later to a clash with Mrs. Thatcher over the party's U-turn against devolution, he chooses now not to comment.

In the opinion of colleagues, Mr Buchanan-Smith's brief rebellion against the party leader has cost him dear—keeping him one large step outside the Cabinet, although he could yet make it there under the glow of the rising star of Mr Walker.

Certainly he likes being a minister; a player rather than a spectator is how he puts it. He sees himself, he says, primarily as a leader and spokesman for the industry his department sponsors rather than as a watchdog or reformer. Asked what Britain should do if the oil price falls he replies, without hesitation, "adjust the fiscal regime."

He played a similar role at the Ministry of Agriculture, where he negotiated the common fisheries agreement.

Danger of surpluses

Accused of adding to the problem of surpluses with a reckless "food for Britain" approach, he replies: "We put British agriculture in a much stronger position than it would otherwise have been to deal with reforms." Surpluses, he says, were a danger to which he frequently drew attention.

Like other farmers, his own 450-strong dairy herd is now suffering the consequences of milk quotas and constrained prices—"a hard road," he says, especially in his part of Scotland.

Ian Hargreaves

Exploration and Appraisal Wells spudded 1965 to 1984

	1965	'66	'67	'68	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	'81	'82	'83	'84	Total
Exploration																					
Southern North Sea	10	20	35	30	34	12	7	8	7	4	2	3	5	—	—	—	1	10	10	24	222
West of England/Wales	—	—	—	—	2	—	—	—	1	4	2	4	4	3	—	—	—	4	1	1	26
Central North N. Sea	—	—	7	1	8	10	17	24	34	51	72	50	47	31	26	26	48	63	56	78	649
West of Shetlands	—	—	—	—	—	—	—	1	—	8	3	1	11	1	3	6	2	2	3	5	46
South of England	—	—	—	—	—	—	—	—	—	—	—	—	—	2	4	—	1	7	9	3	26
Sub total	10	20	42	31	44	22	24	33	42	67	79	58	67	37	33	32	52	86	79	111	969
Appraisal																					
Southern North Sea	—	8	16	7	8	2	—	4	6	2	1	1	—	—	—	—	—	6	13	20	94
West of England/Wales	—	—	—	—	—	—	—	—	—	—	1	1	1	3	—	—	—	—	3	—	9
Central North N. Sea	—	—	—	—	—	—	4	4	13	31	35	26	37	19	15	21	19	22	25	47	318
West of Shetlands	—	—	—	—	—	—	—	—	—	—	—	—	—	3	—	1	—	—	—	—	4
South of England	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Sub total	—	8	16	7	8	2	4	8	19	33	37	28	38	25	15	22	19	28	41	67	425
TOTAL WELLS	10	28	58	38	52	24	28	41	61	100	116	86	105	62	48	54	71	114	120	178	1,394

Source: James Capel

Rich rewards for the risk-takers

Drilling markets

JAMES BALL

EXECUTIVES FROM many of London's top investment houses were listening intently to the chairman of a drilling company. But this time they were not being asked to put cash behind a new British oil venture. They were listening to how the Houston-based Rowan companies had successfully shifted almost half the value of its world fleet of drilling rigs to the North Sea.

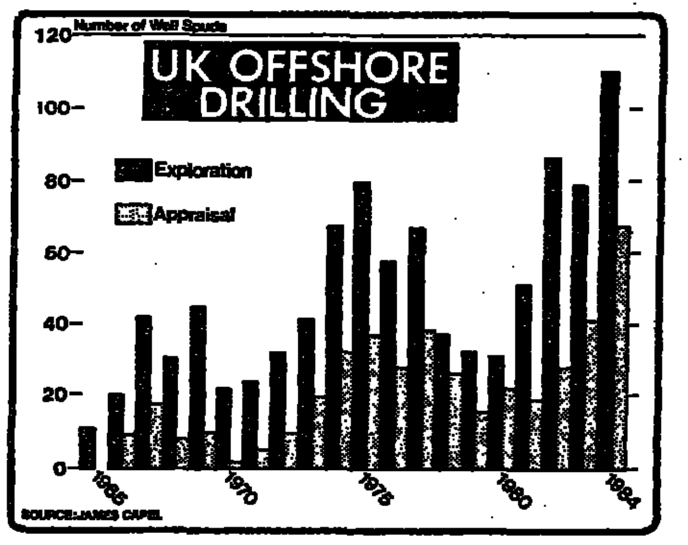
The event says much about the past and the future of the drilling business on the UK continental shelf. It is very risky, but the successful risk-takers in the business — predominantly U.S.-owned or based — see brightening prospects ahead. UK companies still shy away from jostling with the pack when it comes to offshore mobile drilling rigs.

According to Rowan chairman Robert Palmer, his company has $315m worth or 48.4 per cent of its fleet in the North Sea and the rest in North America. Just a few years ago, the emphasis was on drilling in the waters of developing countries.

What's more, Rowan and Global Marine, another U.S. company active in the North Sea drilling business, have just completed massive building programmes which many in the business thought overambitious. However, there is still no significant UK presence, at least as far as mobile rigs go. In April 1983, stockbroker Hoare Govett found that while Norwegian drilling contractors enjoyed 27 per cent of the regional market, and 77 per cent of their own market, UK contractors controlled only 12 per cent of the overall market and 23 per cent of the UK continental shelf market. Indeed, this share was only achieved by counting companies whose ultimate control or ownership stretches the definition "British."

Hoare Govett concluded, "Despite 16 years of consistent and generally expanding activity it is disappointing to see that British drilling contractors have obtained such a small proportion of the North West European Continental Shelf business when over 50 per cent of rig activity has taken place in the UK sector of the North Sea."

Following the UK budget, published at about the same time as the Hoare Govett study, UK drilling opportunities increased even further, to the point where 1984 saw UK drilling take 58 per cent of the 199 wells begun in the North Sea during the year and 85 per cent of all 76 appraisal wells drilled in the North Sea. The UK jump in drilling was the main factor behind last year's all time record in North Sea well starts.



By allowing companies to offset the cost of exploration wells against their Petroleum Revenue Tax (PRT), the UK budget triggered a drilling boom which was helped on its way by rock bottom day rates for mobile drilling rigs. In addition, companies with Southern Basin gas blocks decided new prices and terms on offer from the British Gas Corporation (BGC) were good enough to start looking for gas in the area again.

U.S. action

But, as in the past, it was the major U.S. drilling companies which moved in to soak up the action. And, if recently placed rig orders are anything to go by, they will maintain that position. At the turn of the year, the 50 rigs working offshore the UK included 31 U.S.-run rigs and just eight rigs run by British contractors plus two owned directly by Shell. Norwegian contractors had five of the rest.

The other major source of offshore contract drilling work is platform drilling. Most UK oil fields have drilling facilities on board and the drilling is normally contracted out. Because contractors rarely own the platform rigs, providing little more than drilling crews and management, it is not the most lucrative area of the offshore drilling business. Accordingly, it receives little attention and data is hard to come by. But 50 to 60 rigs are operating offshore on platforms with their number likely to increase as new fields are developed.

Here, at least, more British companies are being attracted, perhaps because the negligible front-end investment makes the operation less risky. KCA Drilling, a British company, recorded a first half profit of £3.9m last year (1983: £1.07m) on its platform drilling, while the floating drilling operations—one drillship offshore Spain in KCA's case—made a loss of £2.82m (1983: profit £2.22m).

But because it is riskier, floating rig business offers greater profit potential. Indeed, as Petroleum Information's John Hartley notes: "There is a shift towards using floating rigs for an increasing share of development work previously undertaken only on the platform. Semis are pre-drilling wells and drilling remote subsea wells, leaving the platform rigs to complete and work over the wells."

This is what attracts those contractors willing to risk $90m worth of investment — the low end of the price range for a new rig — in a market still recovering from low day rates. In addition to the prospect of exploration work, there are chances to win long term, secure contracts drilling "development" wells from which fields will produce oil and gas.

Rowan, for example, has brought one of the world's biggest jackup drilling rigs to the North Sea, the Rowan Gorilla II, hoping that it will create a new market; this size jackup can drill in mid-North Sea waters where once semi-submersibles could alone work. And if this concept is accepted, smaller platforms can be built for marginal oil fields with all drilling being done from a jackup, cantilevering its rig over the platform — the current practice for shallow water, UK gas fields.

In the U.S. Gulf Coast, Palmer says, the number of platforms with their own drilling facilities has been cut from 180 to 80 as jackup rigs do the work instead. In the more hostile North Sea, a bigger rig (like a "Gorilla" or the Glomar Moray Firth) and a change in oil company attitudes has to precede a similar shift.

However, as one of Rowan's competitors points out, there is some doubt as to whether the UK Energy Department will allow oil companies to build lighter and cheaper platforms given the corresponding cut in construction work this will entail.

It is significant that most drilling companies prefer to provide "off the record" information about market prospects. Back in the glory days of 1981 when an offshore rig could command a rate of over $100,000 a day, contractors would brag about their rates. Today they prefer to keep quiet about them and talk about utilisation. Following a building boom, rates plummeted to the low $20,000s and utilisation fell with rates.

Average rates for semi-submersibles in the North Sea are in the mid $30,000s for all but the most advanced semi-submersibles. In the summer, when demand for frontier drilling picks up, more sophisticated rigs can count on up to $65,000 a day for a few months before they have to return to less challenging work. And while few long term charters will be on offer, rigs will be kept working. If this scenario holds rates will slowly creep up about $10,000 a day on average until 1987 beyond which no one is guessing.

Rising oil price

For gas drilling the picture is different. The price of UK gas — at least to the producers — is rising. Also, with the giant gas fields of the 1960s running down, many small fields must be discovered and developed just for Southern Basin gas production to stand still, let alone achieve the dream of several oil companies and add, on top of this, the 1bn cubic ft a day to have come from importing Norway's Sleipner gas. If Sleipner imports decline, UK-based jackups can expect good pickings.

Either way, the demand for jackup rigs in the UK Southern Basin will remain high and rates should begin to creep into the $30,000 a day range — as those for the larger rigs already do. With the U.S. Gulf enjoying a high jackup utilisation rate (91 per cent) the chance of jackups flooding from the world's largest rig market into the North Sea and depressing rates is receding.

Drilling in the UK holds much promise and much risk. So far British investors are slow to take part, so U.S. domination looks like continuing.

James Ball is the editor of the FT International Gas Report

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
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Buyout for U.S. Steel division

By Our New York Staff

U.S. STEEL, the largest U.S. steelmaker, said yesterday that it had agreed to sell its agricultural chemical division to a group of managers in a leveraged buyout.

The Pittsburgh-based company gave no financial details of the deal, which is expected to be completed in the second quarter of this year.

USS-Agri-Chemicals is an integrated manufacturer, marketer and resale distributor of a wide range of agricultural products. In 1983 the group, which has assets of over $613m, reported sales of just under $400m and an operating loss of $27m due to poor domestic demand for fertilisers.

Italian bank in UK move

BANCA NAZIONALE del Lavoro, Italy's largest bank, is establishing a merchant banking operation in London.

The state-owned bank said it would start operations with an initial capital of $15m when approval was gained from British and Italian monetary authorities.

The merchant bank would work closely with the group's existing branch operation in London, which opened 10 years ago. Reuter

People Express hit by $9m shortfall

BY PAUL TAYLOR IN NEW YORK

PEOPLE EXPRESS, the fast-growing cut-price U.S. airline, yesterday reported its first quarterly loss for two years and a sharp slide in full-year net earnings, which failed to cover preferred dividend requirements. The downturn came despite a big jump in quarterly and full-year revenues.

The results reflect higher costs associated with the airline's recent rapid expansion into new markets, coupled with the increasingly bitter fares war triggered by People Express last year when it switched its strategy to attack major routes for the first time.

People Express, which operates from Newark airport and has grown to become the 12th largest U.S. airline, said it suffered a $8.96m fourth-quarter loss compared with a $1.33m, or 7 cents a share, profit in the corresponding period a year ago. Revenues increased by 90 per cent to $168.42m from $88.75m.

The fourth-quarter loss, which was larger than expected, left full-year net earnings trailing those of 1983. Last year People Express reported net earnings of $1.65m compared with $10.4m, or 57 cents a share, in 1983 on revenues which more than doubled to $586.8m from $286.6m.

Mr Donald Burr, chairman and chief executive, said: "The disappointing results were due to the cumulative effects of the investments in 10 new cities since June 1984."

● Lynton McLain adds from London: Several U.S. airlines, including some of the largest "are still struggling to survive, despite the more favourable economic climate," Mr Ed Meyer, the president and chief executive officer of Trans World Airlines said in London yesterday.

"The next downturn of the business cycle could wash many airlines away for good." This could leave "as few as three supercarriers in control of the U.S. domestic market," he said.

"Should that happen," Mr Meyer said, "the ready entry of new competition into the field would be no more likely than when the Civil Aeronautics Board stood guard during the regulatory period. Neither government nor market forces would be present to function as a check on the potential abuses of oligopoly control."

More than 70 U.S. airlines ceased operations and 36 went bankrupt between 1978 and the end of last year. This was when the Civil Aeronautics Board, which had regulated the industry, ceased to exist. The number of airlines rose from 36 to 123 over the period.

The airlines were "extremely profitable in the first flush of deregulation," but in the three years to 1984, domestic U.S. airlines lost over $1.4bn.

Canadian Pacific earnings rebound

By Robert Gibbens in Montreal

CANADIAN PACIFIC Ltd, the largest Canadian-owned company, boosted earnings during 1984 following stronger performances in the resource and transport divisions.

Group net profit rose to C$375m (U.S.$282m) against C$143m during the previous 12 months, representing an increase in earnings per share from C$[illegible] to C$5.21.

CP Ltd attributed most of the turnround to a better North American economy, tight cost controls and tax benefits arising from reorganisation, mainly of its forest products interests.

Oil and gas, mining and minerals, forest products and steel subsidiaries improved. CP Ships reduced its losses substantially, and CP Air returned to the black, while CP Rail maintained a stable income base. For the past two years the shipping interests and the airlines had shown serious losses.

The company plans to split its stock on a three-to-one basis next May, remove the limit on the number of common shares that can be issued and redeem a relatively small preferred stock issue.

● Macmillan Bloedel, Canada's largest forest products group, lifted net earnings to C$19.2m during 1984 compared with C$2.8m, before extraordinary items, during the previous 12 months, writes Bernard Simon in Toronto.

After payment of dividends on preferred shares the loss per common share dropped from 61 cents to 20 cents.

Most of last year's income accrued in the fourth quarter, with earnings reaching C$13.7m, or 25 cents a share, compared with C$13.5m, or 30 cents a share, before extraordinary items, a year earlier.

Like other western Canadian pulp and paper producers, Macmillan Bloedel's 1984 performance was dented by a 10-week work stoppage by British Columbia pulp mill workers. The company said that high costs continued to pose "serious problems" for the province's forest products industry.

Sales rose to C$2.1bn last year, from C$2bn, including an 11 per cent increase in the fourth quarter to C$578.5m.

GEC loses Telecom contract

By Guy de Jonquieres in London

BRITISH Telecom has dropped the General Electric Company as a major supplier of Monarch private branch exchanges (PABXs), the best-selling in Britain in the past few years.

Instead, BT has signed a contract for the future supply of Monarchs only with Plessey, which has shared manufacturing with GEC until now. However, it plans to buy far fewer of the exchanges in the year from next April than during the current year.

BT reached the decision after calling for competitive tenders from both manufacturers late last year. A BT spokesman said: "We picked the better bid," and added that its action was consistent with its more exacting recent procurement policies.

BT is still discussing with GEC the possibility of extending its expiring Monarch supply contract in the coming months. But there would be no revision of the current pricing terms, which were based on much larger volumes than BT seems likely to order in the future.

GEC will continue to make Monarchs for sale overseas and expects to offset the decline in BT purchases through increased production of larger PABXs. It also supplies these to BT, which is understood to be considering increasing its orders.

BT said it had kept Monarch orders for the coming year to a bare minimum, though the level might be raised later. Its new contract with Plessey – the value of which has not been disclosed – is believed to cover about 600 exchanges.

That compares with the roughly 2,500 Monarchs which it has ordered in the current year and about 6,000 purchased in the year to last April.

BT appears to have overestimated recent demand for Monarchs and to be holding sizeable unsold stocks of the exchanges. More than 10,000 have been sold, but BT orders to date total about 16,000.

BT, which developed Monarch in its own laboratories, has sole rights to sell it in the UK. Although it was widely considered one of the most advanced exchanges of its kind when launched in 1980, it has recently faced competition from several newer products.

STANDARDS RISE IN MAINFRAME MARKET

IBM sets rivals new challenge

BOSTON – IBM is expected soon to announce its most powerful computer, code-named Sierra.

The Sierra will change the nature of the processor market by setting a new standard for price and performance, according to Mr Jay Stevens, computer analyst with Dean Witter Reynolds.

The new machine was expected to be introduced at a later date, but when IBM announced a double-capacity disk drive last week, forecasts were revised.

The Sierra is expected to make things more difficult for IBM's competitors in the mainframe computer market, the group referred to as the bunch – Burroughs, Sperry, NCR, Control Data and Honeywell.

"This is one more nail in their coffin," said Mr Michael Chuba, analyst with Gartner Group, stock market researchers. "We've been watching them lose market share to IBM steadily for years, and we expect them to continue losing through the rest of the decade."

Gartner Group estimates that IBM now controls 76 per cent of the U.S. mainframe market, generally considered the most profitable portion of the computer industry.

The average mainframe computer services more than 120 users and costs well over $1m. According to a report by International Data, out of worldwide computer shipments of $43.9bn in 1983, a third were mainframes.

The most powerful mainframe in IBM's current range is the 3084Q, which can perform 28.4m instructions per second (mips). This compares with IBM's PC/AT, its most powerful desktop computer, which performs 750,000 mips.

Outside estimates of the speed of the Sierra range from 30 mips to as high as 39 mips, while expectations for the price per mip, the traditional way to price a mainframe, start at $150,000 and go up to $200,000.

IBM's current mainframes sell for $173,000 to $193,000 per mip, but analysts warn that the Sierra cannot be compared with these products because it will be more powerful.

Mr Stevens said the Sierra would take up less space than the 3084 model, because it was expected to pack all its power into two central processors paired together inside one "box." The 3084 has four processors in two boxes.

In order to minimise the impact on its existing product lines, IBM is expected to introduce the top-of-the-line versions of the Sierra well before the cheaper machines are made available. Gartner Group does not expect a basic machine until 1986.

Industry analysts also expect the new model to be on sale very soon after its introduction, because IBM is required to release technical details of its new products to competitors within 120 days of introduction, under the terms of an anti-monopoly settlement with the EEC.

The company will obviously want to attract as many customers as it can before rivals turn out similar products.

Mr Chuba estimates that IBM could deliver several hundred Sierras this year if shipments start in the third or fourth quarter.

He points out that it will have to start substantial shipments by the fourth quarter if it is to achieve its revenue target of 18 per cent annual growth.

A rapid start-up of shipments could make things tougher for IBM's competitors, both the bunch companies and the Japanese groups Fujitsu and Hitachi, whose mainframe computers are compatible with IBM's. Reuter

Compaq strengthens position in PC market with $12.9m profit

BY LOUISE KEHOE IN SAN FRANCISCO

COMPAQ, the leading U.S. manufacturer of IBM-compatible personal computers, has reported net income of $12.9m, or 47 cents a share, for 1984 on sales or $329m.

The sales figure represents a 196 per cent increase over 1983, the company's first full year of operation when it reported revenues of $111.2m and operating income of $2.6m, or 13 cents a share. Net income for 1983 was 24 cents a share after a one-time tax credit.

Fourth-quarter net income last year was $6.8m, or 25 cents compared with $5.2m in the fourth quarter of 1983. Sales were up from $52.2m to $112.7m.

Compaq will be one of the few survivors of shakeouts in the personal computer industry, analysts predict. The company ranks as the third largest personal computer supplier after IBM and Apple. It is widely thought likely to be the subject of a takeover bid this year.

"We expect 1985 to be another good year for Compaq," said Mr Rod Canion, company president. "The first quarter of 1985 is expected to be seasonally lower than the fourth quarter of 1984 for the industry, and we expect to see that seasonality reflected in lower first-quarter revenues."

IBM's domination of the personal computer market has, however, proved to be a major problem for Tandon, the largest U.S.-based maker of disk drives. The company reported losses of $15.3m for the quarter ended December 28, compared with a net income of $9.3m for the same period in 1983. Sales for the quarter were $90.6m, down from $93.0m last year.

According to the company, operating results were substantially affected by additional inventory reserves and downward price adjustments totalling approximately $25m.

Last month Tandon announced that IBM had cancelled orders for floppy disk drives, which represented 58 per cent of the company's business last year. IBM has agreed to purchase newer products from Tandon, but the volume shipment will not occur until later in the year. The company said Tandon's income would be affected for the remaining three quarters of fiscal 1985.

Tandon's shares were trading at $6¾ on Monday. The change in the company's fortunes has taken its stock price from a 1983 high of $42⅝ to a high of $20 last year and a low of $5 in December 1984.

Soo Line wins court ruling on railway bid

By Our New York Staff

A FEDERAL court in Chicago has ruled in favour of the Minneapolis-based Soo Line Railroad in the bidding for the bankrupt Milwaukee, St Paul and Pacific Railroad, which operates a number of mid-western routes from Chicago.

The $571m bid from Soo, which is majority-owned by Canadian Pacific, is substantially less than the rival $786m offer from Chicago & North Western, but the judge ruled that a combination with CNW would have hampered competition and led to the abandonment of too much track.

The court decision was followed by a dramatic slump in the shares of Chicago Milwaukee, the parent of the bankrupt railway. On the New York Stock Exchange, the share price fell by $24.50 to $149.75 on Friday.

INTERNATIONAL COMPANIES and FINANCE

Montefibre to seek listing on Milan bourse

BY ALAN FRIEDMAN IN MILAN

MONTEFIBRE, Italy's largest producer of man-made fibres and a subsidiary of the Montedison group, is to sek a listing on the Milan bourse.

The plan, which is still at a preliminary stage, comes just as Montefibre is preparing to announce a L10bn ($5m) net profit for 1984, the first time the company has been in the black for 10 years.

The company, 57 per cent-owned by Montedison, has finished the bulk of a major rationalisation and restructuring exercise which has seen the number of employees drop from 27,000 in 1977 to just 4,970.

The restructuring was required because of the crisis (and overcapacity) in Europe's man-made fibres sector, and also in order to comply with the second half of the European Commission's plan to reduce excess capacity and concentrate production.

Montefibre, which last year accounted for 40 per cent of the 600,00 tonens of fibre production in Italy, has closed down four of its eight plants (two remain in Italy, one in Spain and one in Northern Ireland) and has pulled out of the production of nylon. It is concentrating instead on "strategic" products—acrylics and polyester filaments and staples.

Last year Montefibr had group turnover of L865bn, up more than a quarter on 1983. Group operating profit came to L147bn, but heavy debt servicing charges and depreciation write-downs reduced net profits to L10bn. This contrasts favourably with Montefibre's 1983 loss of L58bn.

Montefibre's total debt is around L500bn, but work is pressing ahead on a plan to reduce financial charges. The exercise will be made somewhat easier as Italian banks own 33 per cent of Montefibre. But the most important element in the debt restructuring plan will be a stockmarket listing and public share issue (the range of figures being talked about is from L50bn to L100bn). Discussions are already under-way, but Montefibre is unlikely to gain a quote before late this year or 1986.

Sig Giuseppe Tramontana, Montefibre's chairman who is also president of Assofibre, Italy's synthetic fibres manufacturers' association, said yesterday that Montefibre last year invested L30bn in modernising its Porto Marghera acrylics plant near Venice and in preparing the Acerra plant near Naples for production of non-textile products such as polymers (resins). The same amount is being spent this year. The Montefibre strategy for 1985, said Sig Tramontana, is to diversify away from polyester and acrylic, reduce energy costs by modernising plants and reduce debt levels.

At present, Montefibre's L500bn total debt contrasts with L200bn of shareholders' funds and L50bn of reserves.

About 63 per cent of Montefibre sales are outside of Italy. Last year Spain was the top foreign consumer of Montefibre products, buying L120bn of fibres from the group's Spanish plant. China was the second largest buyer, at L90bn, while the UK came third, at L55bn. The Middle East accounted for L45bn, Comecon countries L40bn (of which Russia was L28bn), France L31bn, South Africa L20bn and West Germany L20bn.

The Italian synthetic fibres sector as a whole achieved a trade balance of L500bn. Sig Tramontana says Italy has 25.2 per cent of Europe's synthetic fibres sector (up from 23.6 per cent in 1983) and around 5 per cent of the world market (against 4.7 per cent).

Bigger payout and scrip by AGA as profits surge

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

AGA, the Swedish industrial gas group, increased profits last year by 23 per cent to SKr 720m ($78.3m) from SKr 585m in 1983 on group sales up 12 per cent to SKr 5.6bn and is to raise its dividend to SKr 11 per share from SKr 10.

At the same time it is carrying out a two-for-one share split and is making a one-for-two scrip issue.

AGA is one of about 70 Swedish corporation which have received dispensation to raise payments despite the Government's dividend freeze on 1984 earnings. AGA said the dispenstation had been given to enable it to fulfil a pledge given to foreign shareholders in a new share issue in 1983.

Operating income rose to SKr 807m from SKr 684m in 1983, while profits before taxes and allocations to reserves increased by 45 per cent to SKr 680m, helped by extraordinary profits of SKr 42m.

The turnover of AGA's industrial gas operations—it is the world's fifth largest industrial gas group—rose by 17.8 per cent to SKr 4.23bn while operating income for this sector rose by 16.8 per cent to SKr 680m.

Sales of Frigoscandia, the refrigeration and cold storage subsidiary, increased to SKr 1.4bn from SKr 1.2bn.

Towards the end of 1984 Uddeholm, the Swedish tooling AGA acquired control of steel, hydro power and international trading group following a series of share purchases in Uddeholm and Tresor, an investment company, worth more than SKr 600m.

AGA said that Uddeholm, SKr 2.3bn and a workforce of with annual sales of some 2,900, would be included in the group's consolidated balance-sheet from the end of 1984 and in the group's consolidated income from 1985.

Pirelli in UK electronics deal

PIRELLI, the leading Italian tyres and cables group, has bought majority control of Focom, the UK-based electronics company, for around £3m writes Alan Friedman in Milan, Pirelli also announced that it is taking a 10 per cent stake in another fibre optics and electronics manufacturer, David Systems of California. The price paid for the David Systems stake is $2m.

The two acquisitions are part of Pirelli's developing interest in putting together a group of fibre optics companies involved in the communications and office equipment sector. Last April Pirelli paid $5m for 15 per cent of the Wisconsin-based Litel, a specialist in local area network transmission.

Tengelmann in C$145m stores takeover

By John Davies in Frankfurt and Bernard Simon in Toronto

TENGELMANN, the privately-owned West German supermarket group, is building up its foreign operations with a takeover of 93 shops and other assets from Dominion Stores in Ontario, Canada, in a deal worth about C$145m (U.S.$109m).

The deal is being conducted by the Canadian subsidiary of Great Atlantic and Pacific Tea Company (A&P), the U.S. supermarket chain in which Tengelmann has a 52 per cent stake.

Tengelmann operates supermarket chains under various names in West Germany, runs the Loewa shops in Austria and took a majority stake in the Hermans chain in the Netherlands last month.

A&P, with more than 1,000 stores in the U.S. and Canada, makes up well over half group sales which totalled about DM 27bn ($8.3bn) in the year to last June.

Controlled and largely owned by Herr Erivan Haub, Tengelmann has been building up its stake abroad as a counterweight to its West German activities.

Herr Haub has complained loud and bitterly about the West German scene, claiming that too many stores were uneconomic and that the Cartel Office stands in the way of rationalisation.

Dominion Stores has been struggling in recent years to regain its former spot as Canada's leading supermarket chain.

In the six months ended September, 1984 Dominion's wholesale and retail operations lost C$24.0m on sales of C$2.2bn. Revenues have fallen each year since 1981. Dominion failed to move into generic "no-name" brands as rapidly as its competitors, and took longer to set up a wholesaling operation.

A number of management and organisational changes have so far failed to turn the group around. Dominion sold 90 stories in Quebec four year ago, and recently began to franchise several of its smaller units in Ontario.

Toyoda to acquire 50% of French machine tool group

BY DAVID MARSH IN PARIS

THE French Government has given approval for Toyoda, the Japanese machine tools group, to take effective control of H. Ernault Somua, the loss-ridden company which was once France's most important lathe manufacturer.

Following agreement of a salvage plan which has been under negotiations for several weeks Toyoda, which is part of the Toyota motor concern, is to take a 50 per cent stake in a new company set to relaunch HES.

French interests in the form of Sofirino, a subsidiary of the Industrial Development Institute, and the Schneider group, the previous owners of HES, will take 30 per cent and 20 per cent respectively. The new company's capital is expected to total FFr 100m initially, to be raised later to FFr 120m ($13m).

The plan is expected to involve large workforce cuts in HES's 1,200 staff. The company filed for bankruptcy in November after losing FFr 239m in 1983 and absorbing FFr 400m in government bail-outs over the past two years.

The Toyoda takeover became inevitable after several French groups, including loss-ridden car-manufacturer Renault and government-supported machine tool maker Intelautomatisme declined to take HES under their wing.

Because of worsening losses in French heavy industry, the French Government over the last year has been forced to tone down its traditional hostility to Japanese takeovers of domestic companies.

This was illustrated, above all, by last year's absorption of the bankrupt French subsidiary of Dunlop by Sumitomo Rubber.

Manufacturers Hanover makes Spain's 'top ten'

BY DAVID WHITE IN MADRID

FOR THE first time since Spain opened it doors to international banks six years ago, a foreign bank has made it into the sector's "top ten" for profits, according to figures due to be published shortly by the country's supreme banking council.

Manufacturers Hanover Trust, which has only two branches in Spain, ranks number nine after a 32 per cent increase in pre-tax profits to Pta 3.66bn ($20.5m).

Sr Jose Garay, the bank's general manager, said the bank had gained from the sharply lower cost of funds on the inter-bank market and had increased its peseta loans by 40 per cent, taking business from traditional clients of the main Spanish banks.

The preliminary figures show an unusually sharp diversity in profit trends among both foreign and domestic banks, marked most notably by the disappearance of Banco Hispano Americano from the top earners, owing to the cost of shoring up its industrial banking offshoot. The bank, which recently shocked the banking world by omitting its dividend, is shown to have made pre-tax profits of Pta 110m against Pta 13.6bn in 1983.

Some other foreign banks produced steep increases, with Bank of America raising profits by 77 per cent to Pta 2.47bn and Credit Lyonnaise more than doubling its earnings to Pta 753m.

At the other end of the scale, Deutsche Bank suffered a heavy Pta 406m loss, up from Pta 49m the previous year.

The biggest loss—Pta 2.46bn—was registered by the former Rumasa-controlled Banco del Oeste, recently taken over by Banco de Bilbao.

Sandoz buys U.S. special chemicals unit

By John Wicks in Zurich

SANDOZ, the Swiss chemical group, has agreed in principle to acquire Master Builders, a subsidiary of Martin Marietta, the U.S. aerospace and building materials group.

Master Builders, which had a 1984 turnover of about $150m, is a leading manufacturer of special chemicals for the building industry. These include cement additives, surface protection materials, plastic coatings and special mortars.

Sandoz will take over Master Builders' 12 production units in the U.S., as well as its Cleveland research laboratories and foreign subsidiaries.

The move means a considerable expansion of Sandoz's activities in the construction-chemicals field, which it entered only three years ago, looking for new applications for existing products.

Swiss bank opts for London

By Anthony McDermott in Geneva

SWISS VOLKSBANK is to phase out its wholly owned subsidiary in Luxembourg in favour of opening a branch in London.

According to Mr Walter Ruegg, management chairman, the move to London had been under consideration since 1982. "The opening would introduce a powerful impetus and new direction in our foreign business policy," he said.

The capital assets of SwFr 1bn ($360m) of the Luxembourg operations would be transferred to London. Swiss Volksbank's group profits rose by 20 per cent to SwFr 75m last year.

North American Quarterly Results

KROGER
Supermarkets

Fourth quarter	1984 $	1983 $
Revenue	3.87bn	3.78bn
Net profits	58.04m	41.68m
Net per share	1.25	0.93
Year		
Revenue	16.93bn	15.24bn
Net profits	158.63m	127.09m
Net per share	3.49	2.7

NORTON
Abrasives

Fourth quarter	1984 $	1983 $
Revenue	299.2m	287.8m
Net profits	17.4m	17.7m
Net per share	0.87	0.93
Year		
Revenue	1.2bn	1.12bn
Net profits	60.4m	45.4m
Net per share	3.04	2.45

SUNDSTRAND
Aircraft components

Fourth quarter	1984 $	1983 $
Revenue	307m	241.6m
Net profits	20.82m	14m
Net per share	1.12	0.77
Year		
Revenue	1.04bn	909.3m
Net profits	66.41m	44.24m
Net per share	3.63	2.42

TEXAS EASTERN
Gas pipelines, oil

Fourth quarter	1984 $	1983 $
Revenue	1.69bn	1.38bn
Net profits	73.2m	29.1m
Net per share	1.39	0.56

TRW
Auto parts, electronics

Fourth quarter	1984 $	1983 $
Revenue	1.58bn	1.38bn
Net profits	59.6m	52.6bn
Net per share	1.59	1.41
Twelve months		
Revenue	6.06bn	5.49bn
Net profits	266.8m	205.2m
Net per share	7.14	5.53

UNION CAMP
Paper, paperboxes, chemicals

Fourth quarter	1984 $	1983 $
Revenue	477.8m	441.7m
Net profits	38.6m	40.2m
Net per share	0.79	0.82

USF & G
Property, casualty insurance

Fourth quarter	1984 $	1983 $
Revenue	799.5m	644.5m
Net profits	3.99m	47.92m
Net per share	0.07	0.89

WASHINGTON GAS LIGHT
Utility

Fourth quarter	1984 $	1983 $
Revenue	219.2m	265.5m
Net profits	14.77m	14.4m
Net per share	0.89	0.99
Year		
Revenue	881m	815.7m
Net profits	40.78m	30.88m
Net per share	2.45	2.13

WASHINGTON POST
Newspapers & magazines

Fourth quarter	1984-85 $	1983-84 $
Revenue	283.6m	254.3m
Net profits	34.62m	28.64m
Net per share	2.47	2.20
Year		
Revenue	984.3m	877.7m
Net profits	85.89m	68.39m
Net per share	6.11	4.82

WHIRLPOOL
Household appliances

Fourth quarter	1984 $	1983 $
Revenue	893.4	849.1m
Op. net profits	38.57m	31.79m
Op. net per share	1.00	0.87
Year		
Revenue	3.14bn	2.73bn
Op. net profits	189.57m	163.04m
Op. net per share	5.18	4.47

Australian Treasurer calls for more banking licences

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA MAY be ready to welcome more than a dozen foreign banks rather than the six or eight originally envisaged by Mr Bob Hawke's Labor government.

Mr Paul Keating, the Treasurer (finance minister) said in Melbourne yesterday that he would be seeking Cabinet approval for a higher number of banking licences and hoped to name the successful applications by the end of this month. Sweeping deregulation of the banking and finance markets has been one of the main accomplishments of the Hawke government to date.

Mr Keating said last November that 42 separate applications for new banking licences had been received, involving 19 from foreign banks—including banks from the U.S., Canada, Japan, Singapore, the UK, and other European countries.

"The quality of the applications and the potential benefits they offer unequivocably argue for more (banking) authorities to be issued than might earlier have been envisaged," said Mr Keating.

Originally, the government favoured the idea of at least 50 per cent Australian equity in the new banks. But a number of licences seem likely to be granted to 100 per cent foreign-owned banks.

Mr Keating said the influx of foreign banks would add to the stability of Australia's financial system and hasten the country's emergence as a significant financial centre.

He also said that Elders-IXL, one of Australia's biggest companies with interests that span brewing, trade, construction, resources, and finance, had not strictly lodged an application for a banking licence but "the bones of what may form a proposal."

Elders says it intends to form its own trading bank, Elderbank, whatever Canberra thinks. The new bank will be rural and trade orientated.

● Broken Hill Proprietory (BHP), Australia's largest company, began court proceedings in Melbourne yesterday aimed at having its disagreement with Weeks Petroleum, over Bass Strait oil royalties, settled in Australia.

Weeks Petroleum is controlled by Bell Resources, part of Mr Robert Holmes a'Court's Perth-based Bell Group. Mr Holmes à Court claims that BHP and its Bass Strait partner Esso owes Weeks large sums in unpaid royalties. The figure has been estimated at A$400m.

Last year, Mr Holmes à Court started court proceedings in New York. However, BHP argues that the disagreement should be settled in Victoria, by arbitration.

Philippine National Bank in the red

By Samuel Senoren in Manila

THE PHILIPPINES' largest commercial bank, the state-owned Philippine National Bank (PNB), suffered a net less of 1.1bn pesos (U.S.$61m) in 1984. The loss was the first ever for PNB which in 1983 turned in a net profit of 234.7m pesos.

Mr Placido Napa, PNB's president, blamed the loss on huge loans to mining, manufacturing and transportation companies which could not pay them back.

The loss prompted the Government to recapitalise the bank in January when, wielding emergency powers, President Ferdinand Marcos raised PNB's authorised capital from 5bn pesos to 25bn pesos. Shareholders' equity in the bank now stands at 6.9bn pesos.

Under its letter of intent to the IMF, the Government has committed itself to the rehabilitation of PNB. Last year the state Social Security System pumped 1bn pesos into PNB to tide it over cash flow problems. Supporting PNB is considered essential because of its role in agricultural lending.

At the end of January, the troubled Banco Filipino savings bank was placed under the control of the PNB. However, Banco Filipino is fighting this in the Manila courts. Such a move could land PNB with a large number of small accounts and more problem loans.

Wilson and Horton wins UPP

BY DAI HAYWARD IN WELLINGTON

THE BATTLE between two leading New Zealand newspaper groups for control of a profitable provincial publishing group ended last night with Wilson and Horton, publishers of the New Zealand Herald, gaining control of United Publishing and Printing (UPP).

The fight between Wilson and the rival publishing group, INL ended when the offer for UPP was raised to NZ$9 (US$4.17) per share and the target shareholding increased from the previous 51 per cent to 100 per cent.

Earlier UPP's directors had supported the INL bid because Wilson had only been aiming for a majority stake. However, when Wilson agreed to aim for 100 per cent control the UPP board switched their support.

INL, the publishers of Wellington's two daily newspapers as well as New Zealand's two Sunday papers and several provincial newspapers had out-bid Wilson and Horton with an offer of NZ$9.60 per share, but the Auckland-based Wilson had acquired a large proportion of UPP shares through an offer of NZ$8.50 cash made last week.

With the acquisition of UPP, Wilson and Horton regains its place as the largest newspaper publishing group in the country.

● Mr David Lange, New Zealand's Prime Minister, said the compulsory ratio requirement for financial institutions to invest varying fixed proportions of their total funds in government stock would be abolished from February 11.

He said that since successive governments had paid cut-rate interest on the money they had compulsorily acquired, the system had amounted to an arbitrarily discriminatory tax on institutions.

Mr Paul Randall, investment manager for the Australian Mutual Provident Society, said the full effect of the decision might not be felt until 1986-87.

Kohler loses R16m on forex dealings

By Our Johannesburg Correspondent

KOHLER, the South African packaging company, lost R16.2m ($8.2m) on foreign exchange dealings in 1984. Mr Basil Landau, the chairman, says that the two men involved have resigned, that Kohler's foreign exchange exposure has now been fully covered, and that the loss will amortise over the life of the loans involved.

Turnover rose to R361m in 1984 from R291m while operating profits, before interest, tax and foreign exchange losses, increased to R29.9m from R23.5m.

The dividend is unchanged at 53 cents despite earnings falling to 99 cents a share from 102 cents. Kohler is 69 per cent owned by Gencor, South Africa's second largest mining house.

Bahrain OBU assets show fall

BY MARY FRINGS IN BAHRAIN

BAHRAIN'S offshore banking sector ended 1984 with assets of US$62.69bn, slightly below the $62.74bn reported in December 1983.

The 1984 figure, however, was more representative of the overall level of business, with monthly average assets nearly 7 per cent up, from $57.3bn to $61.3bn.

For 10 months of 1983, average assets were well below $59bn and hit a low of $55.5bn in July and the suspicion is that the year-end recovery to $62.7bn reflected a good deal of window-dressing.

Two more Arab offshore banking units (OBUs) entered the market in the first quarter of the year—the Arab Investment Company (TAIC) and Arab International Bank of Cairo—but the departure of Continental Illinois reduced the number of reporting banks to 76 by the year-end.

The Bahrain Monetary Agency (BMA) does not include the relatively small balance sheets of the 15 investment banks (IBLs) in the OBU figures.

IBLs earn fees from advisory services and bringing together savers and investors in the absence of a fully-developed local capital market. They range from branches of Merrill Lynch and E. F. Hutton to locally-incorporated subsidiaries of Japanese banks and securities houses and indigenous companies such as Investcorp and Trans-Arabian Investment Bank.

ICI South Africa plans R8m bail-out of associate

BY JIM JONES IN JOHANNESBURG

ICI (SOUTH AFRICA) is to spend about R8m ($4.3m) salvaging parts of Farm-AG, the agricultural chemicals company in which it has a 30 per cent interest. It will buy Farm-AG's retail crop protection divisions for between R6m and R8m and sell its 2.3m shareholding for R2.52m.

Farm-AG, which is based in Natal, suffered badly in the nine months ended November 30 from the effects of drought and foreign exchange losses. Though turnover increased to R68.5m from R43.2m a pre-tax loss of R161,000 was incurred against a profit of R2.2m. In addition a foreign exchange loss of R7.85m was suffered.

● Higher raw materials prices and increased competition reduced the profitability of Metal Closures South Africa (MCSA) in the second half of 1984 but for the year as a whole operating profits increased to R7.72m from R7.47m and turnover rose to R51.4m from R46.1m. MCSA is 77 per cent owned by Metal Closures of the UK.

Earnings per share for the year advanced to 196.1 cents from 178.8 cents and the dividend total was raised to 75 cents from 68 cents.

UK COMPANY NEWS

U.S. volume increases lift Dalgety

VOLUME INCREASES in the U.S. and good weather in Australia have helped push pre-tax profits at Dalgety up from £31.3m to £33.2m for the six months to the end of 1984. Despite political and economic uncertainties, particularly those that surround the Common Agricultural Policy, Mr David Donne, chairman of this international merchant, says he remains confident of a good year for the group.

The interim dividend has been held at 11p—in the last full year a total of 24p was paid from record pre-tax profits of £67m, on turnover of £3.7bn.

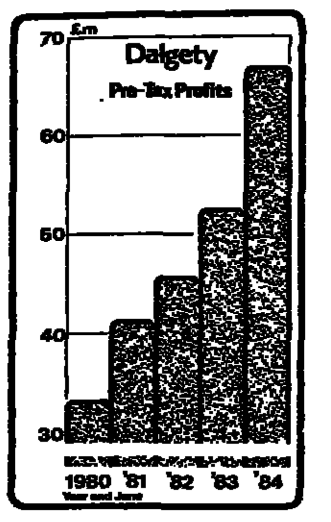
First half earnings per £1 share are shown as 25.1p (23.6p).

Mr Donne says that U.S. companies again produced a "material increase" in profits. Food distribution business continues to achieve significant *volume increases.* During the half year he says that distribution facilities have been expanded in order to improve the service offered.

In Australia, Dalgety Farmers benefited from good weather, and rationalisation benefits con*tinued to accrue in accordance* with a merger programme Industrial activities also improved on last year's results, he says.

Turnover moved up by £285m to £2.03bn. A breakdown of trading profits of £47.9m (£44.8m) and turnover by activity shows: agricultural service and supply £15.1m (£12.4m) and £478m (£448m); food processing and distribution £16m (£13.3m) and £1.06bn (£820m); cereal processing and compounding £10.3m (£12m) and £231m (£277m); and other £6.5m (£7.1m) and £268m (£203m).

Mr David Donne, Dalgety chairman



A breakdown of turnover by region shows: UK£887m (£867m); Australia £129m (£83m); U.S. £826m (£588m); Canada £191m (£147m); New Zealand nil (£63m).

At the end of last year the group had short term borrowings of £104.8m (£65.5m) and loan capital of £145.3m (£185m). Included in these totals, secured *borrowings* amounted to £1.6m (£5.3m) and £37.2m (£27.3m) respectively.

In the UK, Mr Danne says the milling division enjoyed a successful half year arising from a recent investment programme, coupled with favourable wheat prices. There was a *sharp fall* in the market for animal feed following the imposition of milk quotas, and a further cost reduction programme was carried out.

The agriculture division achieved a result in line with last year, and profits have resumed an upward trend. The malt division operated in a depressed market with low margins. Grocery products experienced increased demand and this was supported by brand and product development. Technical products' - export sales benefited from the strong U.S dollar.

During last December an earlier policy decision was implemented when the remain*ing fresh meat interests in the* UK were sold. Extraordinary costs of £5.5m, up from £3m, *included £4m losses this time* from this sale.

In Canada lumber profits were adversely affected by static demand in the U.S., and at the same time the strong Canadian dollar made exporting to Europe difficult. Towards the end of December, lumber demand and prices showed some improvement as U.S. interest rates reduced. The trading activities suffered a reduction in profit in the context of a weak Canadian economy and U.S. import quotas.

Pre-tax profits were struck after related companies contributed £1.8m (£1.5m). These include £0.6m (£0.4m) in respect of a 24.7 per cent holding in Dalgety Crown Corporation (New Zealand) sold on September 2 1984.

Central income less expenses added £0.1m (took £0.1m) and interest costs increased from £14.9m to £16.6m. Profits were subject to tax of £12.3m (£12.2m) including an overseas charge of £7m (£6m). The tax charge represents a best estimate, the directors say.

After minorities of £1.2m (£0.7m) and extraordinaries, the attributable balance emerged down from £15.4m to £14.2m. Ordinary dividends will absorb £8.5m (same).

The directors point out that if figures for overseas subsidiaries had been translated into sterling at rates ruling on December 31 1984, borrowings and attributable profits would have been stated as £273.2m and £16m respectively.

See Lex

Enlarged launch by CIP

Crown International Productions, which specialises in making film and video programmes for corporate use, is enlarging its planned launch placing on the Unlisted Securities Market next month from 20 per cent of its equity to 25 per cent.

A further 8.33 per cent of Crown's enlarged capital will be taken by Reed International, the paper and publishing group, following the sale to Crown of production equipment from Quadrant Television, part of Reed's publishing division.

Reed will receive 500,000 new Crown shares at 60p—the placing price for the March 14 flotation—as well as £162,500 in cash. Crown now plans to place 1.5m shares out of a 6m total in issue, against the previously intended 1m from a total of 5m.

Some 1.6m Crown shares are already held by outside investors, and are traded under Rule 535 (2). They were quoted yesterday at 77p to 82p, the higher figure implying a launch capitalisation of some £4.92m.

A Reed *representative* is to be invited to join the board of Crown, which expects to continue working closely with Quadrant.

Crown, based in Claygate, near Esher, is staffed largely by former BBC employes. It made pre-tax profits of some £225,000 in the year to last September, on turnover touching £1m.

Opticians' chain venture gets Jim Raper backing

BY STEFAN WAGSTYL

FINANCIER Mr Jim Raper is backing Specialeyes, a new company with plans to establish a national chain of optician's shops, which is being floated on the over-the-counter market.

Mr Raper's Saint Piran group will own 46 per cent of the new company which will be capitalised at about £1m. Mr Raper will be the company's non-executive chairman.

Specialeyes is hoping to raise about £600,000 from the flotation early next month. About 38 per cent of the equity will be floated by Baden-Powell, Chilcott and Co, financial consultants, and the shares are expected to qualify for tax concessions under the Business Expansion Scheme.

The company say it wants to take advantage of the changes which will occur after April 1, when most National Health Service subsidies on spetcacles are being withdrawn and retailers will be alowed to advertise for the first time.

Mr Raper is backing two qualified opticians at the head of the management team — Mr Stephen Gould, managing direc*tor, and Mr Raymond Hadden,* operations director. Mr Gould has built up two optician's chains in the past—the first was old in 1976, and the second in 1980 to the U.S. company G. D. Searle.

Mr Gould said that once the restrictions in the British market were lifted, consumers would have a wider and more attractive choice, faster service and competitive pricing.

Mr Raper controls Saint Piran, through his unquoted Hong Kong-based company Gasco Investments. Saint Piran in turn control two listed British com panies, Westminster Property Group and Milbury, a housebuilder.

Mr Raper has settled his differences with City authorities following three years to 1983 in which he was in dispute with the Stock Exchange and with the Takeover Panel over the way he gained control of Saint Piran in 1980.

Drayton Far East

Drayton Far Eastern Trust had a net asset value per 25p share of 150½p at the end of 1984, compared with 122½p a year earlier, and 118⅞p at end-June 1984.

The *final dividend is increased* from 0.45p to 0.7p, making a total of 1.1p (0.85p) for the year. Earnings emerged higher at 1.522p (0.877p).

Net revenue stood at £256,000 against £148,000.

Towles

Towles, the hosiery and knitwear manufacturer, said that it was not aware of any reason for a substantial movement yesterday in the price of its A ordinary non-voting shares, which closed at 76p, up 18p on the day.

Manganese rises to over £1.2m

AN INCREASE from £696,000 to £1.21m in pre-tax profits is reported by Manganese Bronze Holdings, the holding company with interests in vehicle manufacture, metal components and aluminium fabrications, for the six months to January 31 1985.

Mr Dennis Poore, the chairman, says the business improvement in Britain has continued through the first six months of the current financial year, particularly in the engineering companies. This benefit is reflected in a marginally increased turnover—up from £20.79m to £23.13m—and in a significantly better profit margin.

Discussing future prospects, Mr Poore says the steady, rather than spectacular build-up of activity, confirms better times to come and net yet another false start.

First half trading profits showed an increase from £887,000 to £1.59m, and this was after depreciation down from £573,000 to £521,000, leasing, £171,000 (£165,000) and redundancy and severance payments £5,000 *(£80,000). The pre-tax figure* was struck after interest charges up from £191,000 to £380,000.

Julianas Holdings—N. Irens, director, has called 40,000 ordinary shares of 2p each for a price of £2 per share. He now holds 125,000 ordinary shares.

Grossart sees sad end to City revolution

IN HIS annual statement to shareholders Mr Angus Grossart, managing directors of Noble Grossart, financial services group, reiterates his conviction that "much of the financial revolution in the UK will end in tears."

Noting that the whole financial sector is undergoing a radical change in structure, Mr Grossart says that "the speed of that change and the lack of any clear sense of direction has encouragedmany in London to adopt a fashion for conglomeration and a supposed need to undertake that objective at speed and at *great expense.*

"Thre may be scope for a very conglomerates but most of the current aspirants will fail," he says, "and the ground which is vacated by them will be a fertile field of opportunity for those who have specialist abilities and are willing to work with each other on a basis of co-operation.

"I believe that this will prove to be a much more promising and stable operating formula in the long term than the unfettered pursuit of size or the provision of disparate services on a wall-to-wall basis," added Mr Grossart.

In the year ended January 31 1984 this private and unquoted concern made pre-tax profits of £2.25m against £1.58m.

The managing director considers that the year's result is "*highly successful.*" He says that, looking forward from its base in Edinburgh and with its strong presence in London, the group faces the future with considerable confidence.

"A marked and positive feature of our recent development has been the growth of our activities from our London office and also within the U.S. and Canada," he comments.

German Smaller Companies Investment

The offer for sale of 12.5m shares in the German Smaller Companies Investment Trust was over-subscribed by some 1.9 times.

As indicated in the offer for sale document, applications from sub-underwriters were reecived in respect of a total of 9.38m shares. In respect of the balance of 3.13m ordinary offered applications have been received for a total of 5.85m shares.

Applications from sub-underwriters have been accepted in full, while other applications have been accepted on the following basis:

Between 200 and 500 shares—100 per cent; between 600 and 1,000 shares — 75 per cent approximately with a minimum of 500 shares; between 1,500 and 5,000 shares—50 per cent; between 6,000 and 80,000 shares —42 per cent; over 80,000 shares —38 per cent approximately.

Allocations will generally be rounded to the nearest 50 shares. There will be approximately 3,300 allotments of ordinary shares under the offer for sale

Successful applicants will receive warrants conferring, in respect of every five ordinary purchased under the offer for sale, the right to subscribe for one ordinary share. The warrants will be exerciseable on August 31 in any of the years 1986 to 1995 inclusive at a subscription price of 100p per share (subject to the usual adjustments).

Second Alliance

Net asset value per 25p stock unit at Second Alliance Trust stood at 754.7p on January 31, 1985, compared with 575.5p six months earlier, and 593.9p at end-January 1984.

The interim dividend is lifted from 3.25p to 5p net, and the directors intend to at least maintain last year's final of 9.25p.

Net earnings per stock unit were stated higher at 8.01p (5.55p) and estimated earnings for the full year are shown as 17p (12p).

W'hampton Steam

After incurring losses of £27,602 in the year to March 31, 1984, the Wolverhampton Steam Laundry fell deeper in the red with losses of £28,270, after depreciation of £6,735, in the six months to September 29, 1984. In the corresponding period in the previous year, first-half profits amounted to £1,096. Turnover fell from £404,541 to £394,062.

The directors say difficulties are still being experienced in an economically depressed area.

Wood falls

Lower operating profits and an exceptional debit of £73,000 for the period has left taxable profits of S. W. Wood Group, non-ferrous metal merchant and processor, down from £152,000 to £22,000 for the six months ended September 30 1984. Turnover increased from £8.12m to £8.86m.

Almost all of the fall in operating profits is attributed to the central depot at Bow which has been restructured. The directors say this will contribute a profit in the second half.

F.T. Share Information

The following securities have been added to the Share Information Service:

Gable House Properties 10¾ per cent Conv. Uns. Loan Stock 1995/99 (Section: Property)

Nationawide Building Society 10¾ per 30/12/85 (Lons—Building Societies)

Williams (Rex) Leisure (Leisure).

Nottingham Mfg. depressed by pressure on margins and prices

PRESSURE ON prices and margins affected results at Nottingham Manufacturing Co for 1984, say the directors, on reporting a fall in pre-tax profits from £24.56m to £21.52m—the first *decline in progts for four* years. There was a fall of £3.37m to £14.35m in the second half.

Sales grew by £13.84m to £244.52m—the group makes knitted outerwear, hosiery and tufted carpets and its main cus*tomer is Marks & Spencer.*

Knitwear was the main problem area during the period say the directors, and they point out that the market is becoming "much faster moving." Both carpets and dyeing contributed about the same as last year, but also suffered from pressure on margins. They say that trading has been a little better since Christmas because of the colder weather.

The final dividend has been lifted from 4.85p to 5.1p, which raises the total from 6.2p to 6.55p. Earnings per 25p share are shown as falling from 24.63p to 18.66p.

The directors have resolved that a resolution be put to the annual general meeting to authorise the company to purchase its own shares. They say they have no plans to exercise this option in the near future, but think it would be useful to have the facility.

At the trading level profits fell from £23.75m to £20.38m from which depreciation took £6.72m (£6.43m). Investment and other *income added £7.88m (£7.24m).*

Profits were subject to tax of £6.58m (£4.9m), and there was an adjustment arising on deferred tax debit of £15.48m, against a previous credit of £11m.

Last December Nottingham conceded *defeat* in a £53m cash offer for Johnson Group Cleaners, with acceptances of 24.88 per cent on the ordinary share capital, 20.9 per cent of the employees' equity, and only 11.3 per cent of preference stock. Nottingham retained a stake of 11.2 per cent in Johnson at that stage.

At the year end the consolidated balance sheet showed cash and investments of £92.18m against £91.46m. Stock came to £26.9m (£24.09m) and debtors to £21.26m (£17.57m) leaving *current* assets ahead from £133.12m to £140.33m. Current liabilities again only included amounts falling due within one year, which rose from £41.49m to £48.4m.

Fixed assets rose from £38.38m to £41.19m, and net assets came *through at £91.94m (£91.64m).*

The balance sheet total emerged down from £127.85m to £122.43m. Share capital amounted to £20.04m (£19.96m) and the share premium account to £8.26m (£7.98m). Retained profits fell from £99.91m to £94.13m.

At the halfway stage trading profits had dropped from £3.9m to £3.62m, and an increase at the pre-tax level, from £6.85m to £7.18m, reflected a £0.6m rise in investment income to £3.56m. Net profits came out little changed at £4.81m, against £4.8m.

See Lex

English and N.Y. Trust

At December 31 1984 net asset value per 25p ordinary share of English and New York Trust, one of the investment trusts managed by Kleinwort Benson Investment Management, totalled 115.4p, which compares with 104.2p.

Net available earnings for the year moved ahead to £2.19m from £2.02m after tax of £1.18m (£1.43m). Earnings per share were stated at 2.73p (2.52p).

Investment income is put at £3.73m (£4.35m) with other income of £155,077 (£71,672). Expenses took £265,279 (£244.095) and interest £240,832 (£708,000).

A final dividend of 1.5p is proposed giving a total for the *year of 2.5p (2.3p).*

The geographical distribution of the portfolio is UK 31.1 per cent (33.5), North America 47.3 (50.8), Japan 11.1 (7.3), elsewhere 10.5 (8.4).

It has been the board's policy to place emphasis on overseas *investment so that content of* portfolio will be predominantly committed to foreign markets.

AE group improve

Results so far this year at AE Group show further improvement and this is expected to continue, Mr John Collyear, chairman, told the shareholders at the annual meeting.

He had commented on outlook in the report and accounts emphasising the anticipated benefits from substantial investments in high technology engineering.

Excalibur Jewellery

Reduced pre-tax losses of £25,000 were incurred by Birmingham-based Excalibur Jewellery, for the half year to October 31 1984, against £84,000. Turnover moved ahead slightly, from £2.53m to £2.75m.

Stated losses per 5p share emerged at 0.32p (0.45p). Last time there was a tax credit of £40,000.

Bahco to dispose of UK tools subsidiary for £9.3m

BY KEVIN DONE IN STOCKHOLM

BAHCO, the Swedish engineering group, *is* disposing of its UK subsidiary Bahco Record Tools, *in a* £9.3m buy-out by management and a group of eight to 10 British instiutions.

Bahco Record Tools of Sheffield is one of the UK's leading makers of hand tools and had sales of some SKr 250m (£25m) last year and profits of around SKr 6.5m.

It has a workforce of some 900 and subsidiaries in Canada, Australia and South Africa.

The company, previously known as Record Ridgway, was acquired by Bahco in 1981 for *around £4.5m. The company* made losses in the three years from 1981 to 1983 and Bahco said yesterday it could not meet the group's profitability requirements in the immediate future.

Mr Anders Lindström, Bahco managing director, said hopes of deriving *substantial* benefits through coordinating sales of the group's Swedish and UK tool companies had not been realised.

In contrast to the Swedish tool companies, the UK subsidiary had placed great emphasis on low-priced, high-volume sales and applied to different customer groups from Bahco itself.

The disposal is part of a far-reaching restructuring of the Bahco group, which has been in serious financial difficulties in the early 1980s.

It ran up heavy losses in 1982 and 1983 but is expected to announce profits of about SKr 100m for 1984 on sales of SKr 2.9bn. Its main interests are in ventilation systems, hydraulic equipment, pneumatic equipment and marine hydraulics.

Two weeks ago, Bahco announced the sale of its 60 per cent controlling stake in Hiab-Foco, maker of hydraulic cranes and transport equipment, to Partek of Finland in a deal worth some SKr 150m as part of *its effort to strengthen the* group's finances.

After allowing £385,000 for deferred tax (£187,000), the net profit on ordinary activities was £821,000 compared with £507,000 Stated earnings per 25p share improved from 3.58p to 5.46p.

As a result of the acquisition of the Government-owned preference shares, Norton Villiers Triumph is no longer restricted to the motorcycle industry and is free to develop in any direction which seems appropriate. For the time being, NVT results will remain unconsolidated.

The corporate restructuring of the present vehicle division as a sub-group with London Taxis International as its parent, has been completed.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
A & P Appledore	0.45	March 15	—	—	—
Dalgety .....int	11	July 1	11	—	24
George Dew	3.4	Mar 27	3.4	5.7	5.7
Manchester Ship	5.5	April 9	5.5	5.5	5.5
Nottingham Mnfg	5.1	July 2	4.85	6.55	6.2
Our Price .....int	1.5	April 10	—	—	—
Press Tools .....int	0.9	April 10	0.8	—	2.15

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Need for survival brings radical changes at Redman

ANNOUNCING details of the disposals which will transform Redman Heenan International from an engineering company into a property concern, Mr Hugh Laing, the chairman, says that "radical changes have been necessitated by the need to survive and to protect the interests of shareholders and employees alike."

After the sale of the engineering subsidiaries Froude Consine, Froude Engineering, Heenan Drives and Mercia, the company "will have a property portfolio which generates a secure income and a positive cash flow," with an annual rent roll in the order of £750,000.

Redman has suffered losses since 1981, and had been trying to concentrate on a few core activities and dispose of others. The current disposals mean it has given up earlier restructuring plans involving a large capital injection.

The preliminary statement for the year ended September 30 1984, also published yesterday, shows that the group reduced its taxable loss for the year from £2.36m to £1.78m, but that the expected second half profit did not emerge. The second six months incurred a loss of £785,000, compared with a £124,000 profit.

The chairman explains that although the group made good progress at Heenan Davies, it experienced further difficulties at both Froude Engineering and the main subsidiary Froude Consine, due to a number of major contracts where technical problems resulted in delayed completion. There were also much lower margins than had been planned.

At the same time, Mr Laing says, order intake levels continued to be unsatisfactory, with difficult conditions exacerbated by the company's perceived financial weakness.

Turnover for the year fell from £29.37m to £20.24m, from which gross profits came out at £2.3m against £4.95m. There was a trading loss of £929,000 against £1.41m after operating expenses of £3.23m (£6.36m).

The interest charge for the year was reduced from £942,000 to £851,000. The chairman says that there was only a marginal increase in borrowings, but the further erosion of the group's capital base, even before the current set of disposals, resulted in a marked increase in gearing.

The net effect of the disposals is a further substantial erosion of shareholders' funds, but the cash receipts will enable the group to repay a large proportion of its borrowings. After the disposals, shareholders' funds are shown at £2.2m against £5.39m, after taking credit for the deferred consideration of £1.75m on the sale of the subsidiaries, less a £0.75m provision for trading losses prior to disposal. No account has been taken of any other sums for which the company may become liable under the sale agreements.

Extraordinary debits amounted to £1.4m (£549,000) in the year under review, and comprised £552,000 (£350,000) for redundancy and reorganisation, £1.08m loss of the disposal of the engineering interests (£292,000 loss), and an additional written off consideration of £54,000 (£73,000) for the purchase of a subsidiary. There was a £284,000 (£166,000) profit on the sale of properties.

The attributable loss emerged at £3.2m (£2.93m), and was transferred to reserves (£2.93m transferred after £6,000 dividend payments).

Details of the disposals, to be put to an extraordinary meeting of shareholders on February 25, are as follows:

● Babcock International will buy the group's vehicle and engine test plant businesses in the UK and the U.S., Froude Consine and Froude Engineering respectively, for initial cash sums of £1.03m and $1.28m for the share capital, inter company loans and bank borrowings This is £2m less than the net book value at year end.

A further consideration of up to £1.5m will be paid over a period of 12 months dependent on the trading position at completion and the fulfilment of certain warranties.

● Rosterney, a subsidiary of Barber Colman, will buy the variable speed drive business. Heenon Drives, for the sum of £1.75m for the share capital, inter company loans and bank borrowings (net book value £1.46m), subject to adjustment for losses (if any). £250,000 will be held as a retention and paid over a period of 2 years dependent on the fulfilment of certain warranties

It has also been agreed that additional consideration will be paid if, when and to the extent that certain tax losses are utilised and to the extent that any provisions included in the accounts of Heenan Drives at completion are later found to be excessive.

● Mercia was sold last December to Flaxrate and West Walk, companies controlled by the investors. The initial consideration was £486,000 and a further small amount will be payable on agreement of the valuation of stock. This compares with a net book value of £544,000.

The managing diretcor of Mercia, Mr Brian Kirby, sought permission to form a consortium to buy the business last autumn.

The Redman directors considered the offer was fair and should be accepted.

Geo. Dew recovers in second six months

SECOND-HALF pre-tax profits at George Dew, the Oldham-based civil engineer, recovered to £1.59m, compared with only £10,000 in the first six months and figures for the full year to October 28 1984 emerge margi nally ahead at £1.69m compared with £1.67m.

The final dividend is anchanged at 3.4p net for a same again total of 5.7p.

Group turnover rose from £29.27m to £36.27m, with £20.47m (£15.98m) coming in the second half. Tax for the year was £285,000 lower at £616,000 There was an extraordinary debit this time of £1.63m, and this comprised the loss of £1.48m arising on disposal of the group's 50 per cent interest in the Saudi Arabian associated company, George Dew-Ebrahim Akbar Alireza. There was also provision of £154,000 for deferred tax arising from the reduction of initial allowances.

There was, therefore, an attributable loss to shareholders of £560,000 (£99,000 profit), and after dividends, which again absorbed £456,000, there was a deficit for the year of £1.02m against a surplus in the previous year of £143,000.

Earnings per 25p share were up from 7.5p to 13.3p excluding extraordinary items, but there was a loss of 7p (7.5p earnings) including extraordinary items.

Our Price aims for 100 stores by year end

Our Price has improved pre-tax profits by 33 per cent at the interim stage, and with good Christmas trading in all new shops Mr Gerry Nesbitt, chairman, is confident that the full year outcome will be "most satisfactory."

The six-month period to November 28 1984 saw profits climb from £445,000 to £592,000, and the group, a retailer of recorded music, has announced its first dividend since the full listing a year ago. The interim dividend is 1.5p net, with earnings per share stated at 4.5p (5.6p).

Turnover excluding VAT rose from £11.3m to £14.97m. During the six months nine new shops were opened, compared with six in the corresponding period, and one closed, thereby increasing the total to 90. The increase in turnover for those shops open throughout both periods was 13.5 per cent, with the level of increase in December up by 19.2 per cent.

Mr Nesbitt says that the group has maintained its level of net margins in spite of the higher level of shop opening costs. It now trades from 94,000 sq ft, a net increase of 12,000 sq ft, with the average number of shops trading during the period at 84 compared with 69.

In the current half a further six shops, totalling 8,000 sq ft have been opened, and the chairman anticipates an additional four shops trading before the year end. This will make an increase of 18 during 1984-85, "thus reaching the milestone of 100 shops."

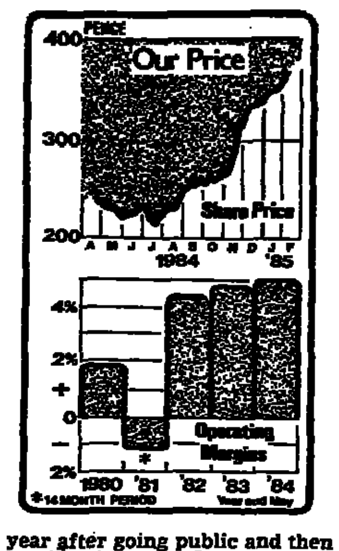
The first shop within a department store at Selfridges started trading last October and results have been most encouraging, he says. Very shortly the company will be enlarging the department to 4,500 sq ft and incorporating an entirely separate classical music shop.

The tax charge for the period was £272,000, at a rate of 46 per cent estimated to be applicable for the whole year. The charge for the comparable period was £102,000 at an actual rate of 22.8 per cent, the lower rate being due in the main to the final utilisation of tax losses brought forward, higher rates of capital allowances and stock relief.

From net profits at £320,000 (£343,000), total dividends will account for £426,000 (£50,000).

In the full year to May 30 1984 the group turned in taxable profits of £1.21m—some £105,000 more than the prospectus forecast—from turnover of £26.06m.

● comment



Sober-suited directors are making a hit out of this hip music retailing group. Just a year after going public and then beating its own first forecast, Our Price has turned in first-half profits which hold the promise of no let-up in the rate of growth. In the first place the company's physical expansion programme is pressing ahead strongly, spearheaded by the success—and expansion—of the shop-within-a-shop venture in Selfridges. Second, the market's underlying demand for records and tapes continues to pick up, as evidenced by official figures showing a near one fifth increase in the value of deliveries to the music trade in 1984. So long as demand holds up, the outlook looks good. Our Price is still under-exposed in the south-east of England, its main catchment area, and has virtually no representation elsewhere in the country. With gearing at a mere 22 per cent of shareholders' funds, the ability to expand is substantial but the limiting factor has to be the lack of home-bred management. In terms of product development, there is also scope for a broader appeal through classical and children's markets and the compact disc. Our Price should have no trouble in topping £1.75m this year which puts the 373p shares on a deservedly high multiple of around 25 (full tax charge).

Duncan Lawrie expands deposits by 49%

Duncan Lawrie, which provides banking services to private individuals and small companies, reports profits for 1984 of £409,833 compared with £404,888 the previous year. After tax the net profit figure is down at £186,429 (£287,004).

Banking business during the year expanded appreciably, with a 49 per cent increase in deposits to £23.8m. Documentary credits, Lloyds guarantees, currency accounts and private banking services also showed satisfactory growth, the directors state.

Income from corporate finance activities was a record, although it fell short of earlier expectations.

During the year Duncan Lawrie increased its shareholding in Brown Shipley Holdings from 10.36 per cent to 14.93 per cent at a cost of some £3m. It also increased its share capital by a further £1.5m to £5m.

With high liquidity, an enlarged capital base and substantially increased assets, the company says it is well placed to take advantage of opportunities as they arise.

Manchester Canal profit up

SUBSTANTIALLY lower severance payments—cut from £2.33m to £605,000—resulted in Manchester Ship Canal reporting pre-tax profits up from £778,000 to £1.58m in 1984.

Turnover fell slightly from £23.71m to £23.06m, while operating profits dived from £1.25m to just £180,000. Net income from property was little changed at £1.57m, and loan and investment income was down from £858,000 to £813,000. Interest payable was £376,000 against £573,000. Tax took £453,000 (£425,000).

The dividend is unchanged at 5.5p net, but earnings per £1 share improved from 5.7p to 26.3p.

Appledore tops forecast despite tough conditions

PROGRESS shown by A. & P. Appledore Group for the year to the end of September 1984 demonstrates its ability to prosper despite adverse conditions suffered by the shipping and shipbuilding industries, says Mr Peter Nash, chairman. Pre-tax profits increased from £532,000 to £705,000, which tops the forecast of £690,000 made at the time of arrival on the Stock Exchange last October.

A final single dividend of 0.45p is recommended as forecast, and earnings per 10p share are shown as 10.79p (9.7p).

Turnover slipped from £2.97m to £2.77m. Mr Nash says that the consultancy sector of the group's business continued to perform well, and, although turnover on consulting activities declined, profitability improved.

The development and peformance achieved by the shipyard activities in adverse trading conditions leads Mr Nash to believe that there are "good opportunities" for the group to expand its shipyard management.

The balance sheet as at the end of September shows a "strong position" says Mr Nash. Shareholders' funds were £1.34m, an increase of 41 per cent more than the previous year.

On the consultancy side, Mr Nash says the year saw the opening of significant new markets in Australia and Brazil. Additionally, British Shipbuilders has indicated its intention to extend its contract beyond an initial three-year term. Business from the U.S. has also increased and he is hopeful that the current favourable exchange rate will help further develop this "large and valuable" market.

Market conditions have caused some shipyard owners to review operations and seek ways to improve. This leads to opportunities for the application of the group's expertise in many fields.

Additionally, during the year, much consultancy work has been undertaken in support of the activities of yards managed by the group.

During the year, the group started a long-term contract for the management of Sabah Shipyard in East Malaysia. While it is too early to assess its long-term effect on profitability, a promising start has been made in reducing the yard's losses and strengthening its order book. Mr Nash says.

In Greece, Neorion Shipyards (Syros) has suffered from a bad shiprepair market in the Eastern Mediterranean. Nevertheless, results have been "satisfactory."

Dubai Drydocks continues to develop promisingly despite the Gulf war. In its first year, it will show an operating profit

Gibraltar Shiprepair started operations under group management on January 1 1985.

Profits were subject to tax of £355,000 (£242,000), and, after minorities of £31,000 last time, and extraordinary placing costs of £185,000 (£103,000 special tax provision), the attributable balance emerged ahead from £156,000 to £165,000.

Star-supported venture seeks to raise £900,000

B[illegible]Y WILLIAM DAWKINS

SUB[illegible]SCRIPTIONS opened yesterday f[illegible]or shares in United British Artists[illegible] (Developments), an unquoted [illegible] film and drama development company which is attempti[illegible]g to raise up to £890,000 after exp[illegible]enses.

Investm[illegible]ents in UBAD will qualify f[illegible]r tax relief under the Govern[illegible]ent's Business Expansion Scheme. UBAD is a start-up venture, whose non-executive directors include Albert Finney, John Hurt, Glenda Jackson and Harold P[illegible]ter and other stars.

It aims [illegible] acquire or commission works [illegible]or development as feature fi[illegible], television mini-series and [illegible]trical productions. Such proje[illegible] will be developed up to a poi[illegible]here they can be sold to a thi[illegible]party for production.

Customers [illegible]l include film production co[illegible]nies, cable and television ne[illegible]s and United British Artists [illegible]m and theatre production co[illegible]y founded in 1983 by Peter Shaw and Richard Johnson, who are also directors of UBAD.

UBA will have first right of refusal on the production rights of all projects developed by UBAD, but will offer all of its own development possibilities to UBAD. UBA will not develop any project on its own account.

There is no profits forecast, but the group says 20 film projects could produce a combined revenue of £3m to £5m over the five years following completion of each film. The directors intend that at least 10 film projects, six theatrical and two television projects will be acquired annually, with a possible 50 per cent success rate.

Capital Ventures, a licensed dealer in securities, is offering for subscription 1m shares at £1 each. Subscriptions will close not later than April 4. Brokers to the issue are Laing & Cruickshank.

BASE LENDING RATES

A.B.N. Bank	14 %	C. Hoare & Co.	†14 %
Allied Irish Bank	14 %	Hong Kong & Shanghai	14 %
Henry Ansbacher	14 %	Johnson Matthey Bkrs.	14 %
Amro Bank	14 %	Knowsley & Co. Ltd.	14½ %
Armco Trust Ltd.	14½ %	Lloyds Bank	14 %
Associates Cap. Corp.	14 %	Edward Manson & Co.	15 %
Banco de Bilbao	14 %	Meghraj & Sons Ltd.	14 %
Bank Hapoalim	14 %	Midland Bank	14 %
BCCI	14 %	■ Morgan Grenfell	1-
Bank of Ireland	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Cyprus	14 %	National Bk. of Kuwait	14 %
Bank of India	14 %	National Girobank	14 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd.	14 %	Northern Bank Ltd.	14 %
Barclays Bank	14 %	Norwich Gen. Trust	14 %
Beneficial Trust Ltd.	15 %	People's Tst. & Sv. Ltd.	15 %
Brit. Bank of Mid. East	14 %	Provincial Trust Ltd.	15 %
■ Brown Shipley	14 %	R. Raphael & Sons	14 %
CL Bank Nederland	14 %	P. S. Refson	14 %
Canada Perm'nt Trust	14 %	Roxburghe Guarantee	14½ %
Cayzer Ltd.	14 %	Royal Bank of Scotland	14 %
Cedar Holdings	14 %	Royal Trust Co. Canada	14 %
■ Charterhouse Japhet	14 %	■ J. Henry Schroder Wagg	14 %
Choulartons**		Standard Chartered	‖14 %
Citibank NA	14 %	Trade Dev. Bank	14 %
Citibank Savings	12¾ %	TCB	14 %
Clydesdale Bank	14 %	Trustee Savings Bank	14 %
C. E. Coates & Co. Ltd.	14½ %	United Bank of Kuwait	14 %
Comm. Bk. N. East	14 %	United Mizrahi Bank	]·
Consolidated Credits	14 %	Westpac Banking Corp	14 %
Co-operative Bank	*14 %	Whiteaway Laidlaw	14½ %
The Cyprus Popular Bk.	14 %	Williams & Glyn's	14 %
Dunbar & Co. Ltd.	14 %	Wintrust Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	14½ %		
Exeter Trust Ltd.	14½ %		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	14½ %		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½ %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		

■ Members of the Accepting Houses Committee.
• 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75%, £10,000 12 months 12.00%.
† 7-day deposits on sums of under £10,000 11%, £10,000 up to £50,000 12%, £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
‖ 21-day deposits over £1,000 12½%.
¶ Mortgage base rate.
§ Demand deposits 11%.
** See Provincial Trust Ltd.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
144	123	Ass. Brit. Ind. Ord.	142	—	6.6	4.4	7.9	9.4
151	135	Ass. Brit. Ind. CULS	150	—	10.0	6.6	—	—
77	61	Airsprung Group	53	—	6.4	12.1	6.9	7.0
42	26	Armitage & Rhodes	37	—	2.9	7.8	4.6	7.7
140	108	Bardon Hill	138	−2	3.4	2.5	13.9	23.2
58	42	Bray Technologies	48	—	3.5	7.3	5.6	8.0
201	170	CCL Ordinary	170	—	12.0	7.1	—	—
152	110	CCL 11pc Conv. Pref.	110	—	15.7	13.8	—	—
816	100	Carborundum Ord.	816	—	5.7	0.7	—	—
86	84	Carborundum 7.5pc Pf.	86	—	10.7	12.4	—	—
103	43	Cindico Group	43S	—	—	—	—	—
73	51	Deborah Services	60	—	6.5	10.8	5.7	9.2
286	182	Frank Horsell	286	+5	—	—	11.6	15.1
248	170	Frank Horsell Pr.Ord.87	248	+5	9.6	3.9	10.0	13.1
32	25	Frederick Parker	32	—	4.3	13.4	—	—
53	33	George Blair	53	+1	—	—	3.6	7.1
50	27	Ind. Precision Castings	28	—	2.7	9.6	7.7	8.3
218	186	Isis Group	186	—	15.0	8.0	7.4	13.4
124	104	Jackson Group	104	—	4.9	4.7	4.8	9.4
285	213	James Burrough	276	—	13.7	5.0	9.8	9.8
93	83	James Burrough 9pcPf.	90xd	—	12.9	14.3	—	—
87	71	John Howard & Co.	87	—	5.0	5.7	8.9	12.6
165	100	Linguaphone Ord.	165	—	—	—	—	—
100	93	Linguaphone 10.5pc Pf.	95	—	15.0	15.8	—	—
604	300	Minihouse Holding NV	604	—	3.8	0.6	43.5	47.6
120	31	Robert Jenkins	36	—	5.0	13.8	—	—
60	28	Scruttons "A"	31	—	5.7	18.4	16.3	3.8
92	61	Torday & Carlisle	79	—	—	—	8.8	18.0
444	370	Trevian Holdings	370	—	4.3	1.2	21.0	20.7
27	17	Unilock Holdings	25	—	1.3	5.2	12.1	17.5
98	81	Walter Alexander	93	+1	7.5	8.0	9.2	11.2
247	224	W. S. Yeates	224	—	17.4	7.7	5.4	10.7

S=Suspended.
Prices and details of services now available on Prestel, page 48146

CJR pays £4m for its own shares

Charterhouse J. Rothschild, the financial services group headed by Mr Jacob Rothschild, has begun its promised policy of purchasing its own shares. It announced yesterday that it had bought 3.75m shares on Friday at a price of 108p, costing it £4.05m.

The group has just obtained shareholders' approval to buy in up to 100m shares—22.9 per cent of its issued share capital, the maximum currently permitted—in order to boost attributable net assets per share. However, Mr Rothschild has said that the initial intention is to purchase up to 5 per cent of the equity. The group's shares closed last night at 108p, unchanged on the day.

Charterhouse J. Rothschild, which is being renamed J. Rothschild Holdings, is rich in cash, having recently sold its Charterhouse Japhet merchant banking subsidiary to the Royal Bank of Scotland and a 24.9 per cent stake in Hambro Life to BAT.

Edwardes 'astonished' at BTR's takeover tactics

BY CHARLES BATCHELOR

SIR MICHAEL EDWARDES, chairman of Dunlop, yesterday accused BTR of using "personal threats" in its £33m takeover bid for the tyre and rubber products group.

Dunlop published copies of a "private and confidential" letter from BTR finance director, Mr Norman Ireland and of Sir Michael's reply in a continuation of Dunlop's high profile conduct of its defence strategy.

Sir Michael said in his letter that he was "astonished" that BTR had threatened to hold Dunlop directors personally liable for the costof any communication to BTR shareholders following Dunlop's request for a copy of BTR's share register.

"I find it inexplicable that a company of BTR's standing should resort to threatening tactics of this kind," Sir Michael wrote.

"While our request was not motivated by any current intention to circularise BTR shareholders, you will be aware that any board has a duty to act in the best interests of its company. If such a circular were considered at any time by the board to be in Dunlop's best interests, I am advised that its issue would be perfectly proper."

Sir Michael continued "The Dunlop board there will not, therefore, be reflected from its duty, and I hope you will agree that it would be in everyone's best interests in BTR's bid could be conducted without personal threats."

BTR's letter, which was sent to Mr Mark Smith, a director of S. G. Warburg, one of Dunlop's two merchant bank advisers, said that for Dunlop to write to BTR's shareholders would be "a totally unnecessary, and therefore an improper, expenditure."

"I place this matter on record now, in order to avoid any subsequent misunderstanding or unpleasantness," Mr Ireland wrote.

BTR argued that the takeover bid did not require the approval of BTR's own shareholders—since it would involve an increase of only 1 per cent of BTR's equity—and they, therefore, played no active part in the bid approach.

"It follows that for Dunlop or its advisers to circularise them would not be justifiable expenditure—even for a company with much greater resources than those currently available to Dunlop," BTR said.

Dunlop rose a further 3½p yesterday to a new high of 46p since the mid-January announcement that it had put together a financial reconstruction package.

BTR's share offer is worth not quite 23p per share or 20p in cash. BTR's shares rose 1p to 667p.

United Newspapers' holds 19.7% of Fleet

UNITED NEWSPAPERS, publishers of the Yorkshire Post, Punch and Exchange and Mart, yesterday revealed it had increased its stake in Fleet Holdings to 19.7 per cent. It disclosed a stake of 19.25 per cent at the end of January.

United is a fraction under its stated target of 20 per cent in Fleet after completing the purchase of a 15.76 per cent stake from Mr Robert Maxwell's Pergamon Press yesetrday. It held about 2.5 per cent of Fleet before the purchase of the Pergamon stake and has since bought about 1.5 per cent through the market.

Qualified Edenspring accounts show £2.72m loss from Oric

Edenspring Investments—whose main subsidiary, Oric Products, went into receivership two weeks ago—yesterday produced delayed and qualified accounts for the 17 months from its incorporation to June 1984 which showed exceptional losses of £2.72m from Oric.

A further £1.26m of extraordinary losses were reported from a capital reconstruction at Pennine Commercial Holding, a subsidiary that went into liquidation last November. Edenspring, which is traded on the over-the-counter market, recorded a pre-tax loss for the period of £2.7m and a loss after extraordinary items of £3.98m for the period, covering January 19, 1983, to June 30 last year. There are losses per share of 2p.

The company said it had excluded from its financial statement the accounts of Pennine and Orice because of the appointment of liquidators and receivers respectively to these companies.

However, provision had been made in the accounts against the costs of investment in both companies, against monies outstanding in Pennine not covered by assets and those in Oric not received subsequently.

Oric's management accounts had shown a loss of £2.6m on turnover of £12.7m for the year to June 30 1984. Edenspring said that until Oric's position under the receivers was clarified the directors 'were unable to consider the future direction of the group."

The exceptional provisions for Oric are £249,999 for the cost of the investment and £2,4926364 for monies owed, while the extraordinary item for Pennine breaks down between £398,633 for the cost of the investment and £865,437 for monied owed. At June 30, hte group had tangible fixed assets of £470,000.

Edinspring's auditors, Thorton Baker, pointed out in their report on the accounts that they did not act for either Pennine or Oric.

They added that no audited accounts had been prepared on Oric and they were therefore unable to obtain adequate evidence as to the accuracy or completeness of disclosures in Edenspring's accounts required under the Companies Act on directors' emoluments and transactions with connected persons in relation to Oric.

Thornton Baker added: "We have received representations from the directors that there are no disclosures required by the Companies Acts 1948 to 1981 with regard to Pennine which should be made in these financial statements. As Pennine is in liquidation no audited accounts have been prepared and we are unable to obtain evidence to support these representations."

Edenspring's accounts said that in the absence of audited accounts for Oric the directors had not been able to obtain full information concerning transactions between Oric and companies in which two previous directors of the company are or were interested. The directors concerned are Mr B. J. Muncaster and Mr J. K. Tullis.

The books and records of Oric showed that in the year to June 1984 Oric paid £157,843 to Johnson-Muncaster, in which Mr Muncaster was interested, for management services and reimbursement of expenses, and £56,987 to Tullis Industries for management services and reimbursement of expenses.

Kunick Leisure

Kunick Leisure Group is moving into the ice rinks business. Itis converting the Tiffany's site in Scunthorpe, purchased from Mecca few months ago, into a family ice rink and adjoining "fun pub." The rink will cater for about 300 skaters. In all, Kunick will be spending £500,000 on the Scunthorpe development.

Kunick's looking for further sites to open similar small, family ice rinks in the UK.

ASR Holdings

ASR Holdings achieved pre-tax profits of £410,000 for the half year to end-September 1984, on turnover of £10.12m.

Comparable figures gi*r*en of £632,000 and £9.77m are for the shoe repair, key cutting and retailing group of companies which now comprise ASR Holdings after the demerger of the tanning and other businesses in September with effect from April 1 1984.

The interim dividend is 3.5p. For the previous 15 months there were two interim payments amounting to 3.5p, and a final of 3.75p. The group's year end has been changed to March 31.

Goode Durrant

Pre-tax profits of Goode Durrant and Murray, banking services, house building and department store concern, slipped from £2.62m to £2.57m for the year ended October 31 1984. Turnover increased to £67.6m, against £64.52m.

Earnings per 5p share are stated as 5.7p (6.1p) although the net dividend is maintained at 1.25p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Humberside Electronic Controls, Mainmet, Stonehill, TR City of London Trust, United Real Property Trust, Whitworth Electric.

Finals: General Funds Investment Trust, Investors Capital Trust, PLM AB.

FUTURE DATES

Interims:

Addison Communications	Feb 14
Don Bros. Buist	Feb 22
Ewart New Northern	Feb 21
Gent (S.R.)	Mar 21
Jackson (William)	Feb 21
Lister	Feb 15
Media Technology Intnl.	Feb 21
Page (Michael) Partnership	Feb 14

Finals:

Alexanders Holdings	Feb 18
Bowater Industries	Mar 21
Bramall (C.D.)	Apr 16
Hunterprint	Feb 13
Ladies Pride	Feb 28
Low and Bonar	Mar 11
Marley	Feb 28
Midland Bank	Mar 6
Romney Trust	Feb 20
Waterford Glass	Feb 20

BIDS AND DEALS IN BRIEF

London Merchant Securities is beneficially interested in 7.56m ordinary shares (29.85 per cent) of First Leisure following the purchase of 400,000 shares.

* * *

Premier Consolidated Oilfields has been informed that Carless Capel and Leonard has sold all the nil paid rights entitlement following the Premier rights issue announced on January 16. Premier have also been advised that interest controlled by Mr Ivan F. Boesky has been reduced by the sale of 2,500,000 Premier shares.

Mr Roland Shaw, chairman of Premier, commenting on this information, said that although the sales have had a depressing effect on the share price recently, it is obviously good for the long-term future of the company.

* * *

Joseph Webb has acquired, through its subsidiary Parkland Caravan, the freehold holiday site known as Great Tree Holiday Park at Looe, Cornwall.

The consideration of £675,000 will be paid in cash from the company's existing resources—£275,000 immediately and two further instalments of £200,000 in January of the next two years. These instalments are interest free.

* * *

Magic Moment Restaurants is planning to open its first European theme restaurant, where a tableside magic show is a main attraction, opposite Hamleys toy shop in Regent Street.

In a £262,500 deal the company is acquiring Verrys Restaurant and Coffee Shop from Richards (Cakes). The 6,000 sq ft restaurant will be converted into the first magic theme restaurant in the UK, while the 1,800 sq ft ground floor Coffee Shop will continue in operation as part of the new company.

* * *

Roberto Investment Corporation has disposed of 1,806,750 Five Oaks Investment ordinaries The shares were purchased by clients of Raphael Zorn. Mr Morrison and Mr Anderson directors of the company, and acting in concert, acquired 650,000 and 500,000 of these shares respectively, increasing their beneficial holdings to 675,000 and 584,000 shares respectively (a combined total of 19.71 per cent).

* * *

The merger of Royal Bank of Scotland Group, Charterhouse Japhet and subsidiaries is not to be referred to the Monopolies Commission.

* * *

Pentos has sold the liquefied petroleum and compressed gas equipment business of Messengers (Birmingham) to Sperryn and Co, a member of Delta Group.

The agreement involves initial payments in cash totalling £676,000 for the goodwill, stock and plant. This is subject to further cash adjustments relating to stock and work.

The business sold accounted for 65 per cent of Messengers' total turnover in 1983. In that year, Messengers made a loss of £227,000 before interest and extraordinary charges; but in 1984 the losses have been substantially reduced.

* * *

Compco Holdings has exchanged contracts to acquire the Watford Enterprise Centre, an industrial development at Croxley, Watford. The group will acquire a 125-year head leasehold interest from the freeholders — Watford Borough Council — for 874,000 cash. Initially, Compco will receive a guaranteed minimum rental income (net of ground rent) of £68,500 per annum until such times as the centre is fully let. Hereafter, it will receive the full rental income (net of ground rent) generated by the centre.

* * *

The Cookson Group has made two acquisitions in the United States for a total of $6m, through its subsidiary there, Stern Metals.

It has bought Advance Industries, a Massachusetts-based manufacturer and retailer of a broad range of precision products for the electronics industry, whose sales in 1984 topped $10m.

The other purchase is that of Vennerbeck and Clase, of Rhode Island. This produces bonded materials primarily of precious metal content, and its annual sales also run at some $10m.

* * *

HOSKINS AND HORTON, the hospital equipment and light engineering group, has written to its shareholders urging them expanded and TSL is benefiting to accept a takeover bid worth £9.5m in shares or £8.8m in cash—from London and Midland Industrials (LMI).

Hoskins' shareholders have a choice between rival bids from LMI and from Scottish Heritable Trust (SHT). SHT already holds a 28.8 per cent stake in Hoskins but, unlike the LMI offer, its bid has not been recommended by the Hoskins board.

Both offers will lapse on February 17 unless they are declared unconditional.

Hoskins argued in its letter that acceptance of LMI's share offer would give a 25 per cent higher annual income than accepting the SHT share offer.

* * *

Anglo-Indonesian Corporation, REA Holdings and Plantation and General Investments are at "an advanced stage" in discussions on amalgamating their interests in the Tasik oil palm project in Sumatra under a single new UK holding company, Anglo-Eastern Plantations. This would be accompanied by the raising of external finance for the company, which might incorporate the existing Sumatran estates of Anglo-Indonesian and REA.

* * *

C. H. Bailey sold 4,806,387 ordinary of Bristol Channel Ship Repairers, reducing its interest from 67.56 per cent to 61.54 per cent.

MINING NEWS

Big names likely to clash over Neves Corvo copper mine

BY GEORGE MILLING-STANLEY IN LONDON AND DIANA SMITH IN LISBON

TWO of the biggest names in the international mining world look likely to be drawn into a struggle for the ownership of a sizeable minority stake in Neves Corvo, a rich copper deposit in Portugal.

Last October, the London-based Rio Tinto-Zinc group revealed it had agreed to buy the aggregate 49 per cent stake held in Somincor, the holding company for Neves Corvo, by France's Penarroya and Coframines companies. This was subject to a pre-emptive right of purchase held by the state-owned Portuguese mining company EDMA, which owns the remaining 51 per cent of Somincor, and to RTZ receiving government approval as a foreign investor.

RTZ said it expected the deal to be completed before the end of 1984, and paid $90m (£82m) into an escrow account in Paris to cover the purchase price.

Recent reports from Lisbon suggest, however, that the 49 per cent stake has been thrown open to tender by three other groups, with South Africa's Anglo American Corporation emerging as the front-runner. Bids have to be submitted by March 15.

One question left open in the negotiations between RTZ and the Portuguese Government was the latter's wish to add value to the output from Neves Corvo by constructing a smelter at the mine site. RTZ was believed to prefer the idea of smelting the concentrates from the mine elsewhere in Europe, possibly West Germany.

Next developments are expected on Thursday, when RTZ is due to hold more talks with the authorities.

Neves Corvo is regarded as the most significant mining development in recent Portuguese history. Outside estimates put reserves at 27.5m tonnes, with a very rich grade of 8.66 per cent copper, along with some associated lead and zinc. At the projected mining rate of 1m tonnes of ore a year, the deposit would have a life not far short of 30 years.

Rivals stake their claim in BP-Seltrust gold venture

AUSTRALIA'S Samantha Exploration and Samson Exploration say the British Petroleum-Seltrust partnership has not excercised its pre-emptive right to acquire the outstanding 25 per cent stake in the promising Temora gold prospect in New South Wales. BP holds 18.75 per cent of Temora while Seltrust has 56.25 per cent.

Since the February 9 deadline for such acquisition has passed, Samantha and Samson claim that following their earlier offer for Temora they have interests of 15 per cent and 10 per cent, respectively, in the gold venture.

They say that for 60 days they have the right to match any offer for the BP-Seltrust 75 per cent holding should the latter wish to transfer the whole or part of the interest. This refers to the proposal for Seltrust (75.4 per cent-owned by BP) to be placed into voluntary liquidation.

The Temora prospect was last estimated to contain 6.1m tonnes of ore grading at average 2.4 grammes gold per tonne. It is easily amenable to open-pit mining and would require about A$18m (£12.5m) and 18 months to be brought to full production of 700,000 tonnes of ore a year.

Samantha is meanwhile the subject of take-over offers from both Barrack Mines and Eastern Petroleum. The three companies are partners in the profitable Horseshoe Lights gold mine, near Meekatharra, Western Australia.

Papua officials arrive for talks on Ok Tedi project

A TEAM of senior officials from Papua New Guinea arrived in Hong Kong yesterday for talks with international banks over the planned closure of the US$1.6bn (£1.4bn) Ok Tedi mining project.

Loans to the project from a number of big banks could be in danger if the Papua Government, which has a 20 per cent interest, goes ahead with its decision to close the mine by the end of this month.

The officials, led by Palas Wingti, Deputy Prime Minister, will defend the Government's decision, taken 10 days ago after a dispute with its foreign partners over delays in the second phase of development.

envisaged an initial stage during which gold would be extracted from a cap of ore on top of the deposit. This is well under way, but low metal prices caused the commercial partners to seek delays in implementing the second stage, which involves mining copper as well as gold.

This would also have postponed the third stage, under which Ok Tedi will produce only copper.

that about $960m had been spent at Ok Tedi. Recent estimates are that the additional development work required by the Government towards the second stage of the project would cost about $800m. A considerable amount of infrastructure is involved, including a permanent system for dealing with the mine's tailings(waste products), a hydre-electric power scheme and a sea port.

Two years ago, the partners announced the raising of $850m in financing for Ok Tedi, and it is these loans which will be put at risk if the dispute is not settled. The commercial partners are Australia's Broken Hill Proprietary and the Standard Oil of Indiana subsidiary, Amoco Minerals, both with 30 per cent. The remaining 20 per cent is held by a group of West German interests.

Tongkah Harbour output shows further increase

INCREASES in tin concentrate output for January from producers in the Malaysia Mining Corporation group, include a further rise at Tongkah Harbour, lifting the latter's total for the past seven months of its financial year to 414 tonnes, against 323 tonnes a year ago.

Ayer Hitam's total for the same period, however, continues to lag at 570 tonnes against 750 tonnes, while Aokam's total is 600 tonnes against 663 tonnes. Berjuntai shows up well with a nine month total of 1,918 tonnes against 1,563 tonnes.

The major producer, Malaysia Mining Corporation completes its financial year with a total of 4,959 against 5,634 tonnes.

Actual sales are not disclosed on a monthly basis and all the companies remain subject to export restrictions imposed by the International Tin Council in its efforts to reduce the surplus stocks overhanging the market.

The latest monthly production figures are compared below.

	Jan tonnes	Dec tonnes	Nov tonnes
Aokam	72	78	113
Ayeer Hitam	47	78	111
Berjuntai	243	208	197
MMC	452	418	448
Sungei Besi	38	37	35
Tongkah Harb.	91	77	29
Tronoh	32	35	40

January production at the Gopeng group amounted to 121¼ tonnes, making 501 tonnes for the past four months.

TECHNOLOGY

EDITED BY ALAN CANE

VISION INSPECTION SYSTEMS FOR CIRCUIT BOARD TESTING

Machines with an eye for detail

BY GEOFFREY CHARLISH

A MACHINE vision system that can inspect an assembled printed circuit board (PCB) in under one minute and identify absent or misplaced components has gone into action at Computer and Systems Engineering (CASE) of Watford.

It is designed and made by MME, a two-year-old company based at Saffron Walden in Essex. The machine is solving a serious inspection problem for CASE, where last year some 82,000 PCBs of 120 types went through the company's board production plant.

CASE has invested £70,000 in the machine. Production director Mr John Aylott (who was previously production manager at Plessey Radar) thinks there is a £300m world market for units like MME's.

"We could find no comparable machine elsewhere," he said. "Even in the U.S." The company manufactures computer communications systems and has been outstandingly successful, increasing profits from £0.35m in 1978 to £4.1m in the first half of 1984-85.

Mr Lee Frost, MME's marketing director, hopes to sell perhaps 20 of his inspection machines a year and a number of companies have expressed an interest including Plessey, Sony UK, Singer Link Miles and Bell Telephone (Belgium).

John Aylott, production director at CASE, says that he could not find a machine comparable with MME's vision tester

Failure to perceive component faults before boards are soldered can prove expensive

As in most visual inspection of complex objects, a long and hard enough look by humans will pick up a high percentage of faults—but the process can be lengthy. Using the MME machine a 12 x 8 inch board with 650 components can be inspected in 45 seconds, compared with many minutes for the human inspector—for whom the task can be fatiguing, tedious and, therefore, error-prone.

In high capacity PCB manufacturing, the integrated circuit—nowadays up to the size of a domino—and the much smaller resistors and capacitors, are assembled on to the pre-drilled circuit board by an insertion machine which pushes the component's legs or leads into the holes at speeds up to two or three a second.

Failure to perceive component faults before the undersides of the boards go over the flow soldering machine can prove expensive. The components can be absent, wrongly oriented, of the wrong type, or they can be badly inserted leading to improper soldering. Then, "re-working" is needed—the offending component has to be unsoldered by hand and possibly removed from the board.

The MME machine works by memorising the image of a known good board and examing the differences, within defined limits, of each new board presented to it.

A solid-state television camera looks at the good board in stepped areas, which allows the blank parts to be ignored, saving time. The board is mounted on an X-Y table driven to "snap-shot" positions by accurate motors on the two axes. At each step, the scanned image is broken down into a large number of tiny picture elements called pixels.

The light value of each pixel is stored in the machine's memory as a digital code—essentially a short series of on-off signals rather like Morse code. When the board under test is examined by the camera, a series of pixel codes is produced which will be identical to the good board only if the two are identical.

As soon as the machine sees a difference (it processes the information with no perceptible delay), it stops at that image step and shows the faulty component as a highlight area on a TV monitor.

Resolution of the imaging system is 1mm, which allows the machine to identify canted or misaligned components. A development in hand will allow the machine to check for the correct numerals on integrated circuits.

Faults can be dealt with on the spot, or marked for subsequent attention at a correction station. Already, CASE has reduced re-work of boards from 27 to 15 per cent.

The machine is not infallible however, and further work is in progress on lighting levels and stray light in relation to the type of board under test.

At CASE, an associated DEC computer with hard disk storage can keep the master data of up to 350 different boards and inspection sequences.

The operator, having identified the board to hand via a bar code or numerical label, uses the machine's small keyboard to select the correct set-up, which is then down-loaded from the computer. But the MME machine can stand alone—programming for each board takes only a minute or two.

The machine has caused no job losses at CASE because the company is expanding rapidly. Board production has trebled during 1984—but with only twice the staff. The plant has four Amistar (Torrance, California) insertion machines and has ordered a Dynapert dual-head unit able to insert 33,000 components an hour. Genrad and other autotesters are employed.

Lee Frost believes the greater use of surface mounted devices, which are bonded to the board with adhesives, will call for visual inspection of a high order, because the devices tend to float sideways on the adhesive before it sets.

The machine has caused no job losses at CASE because the company is expanding rapidly

He also sees other electronic industry uses for the machine, including computer keyboard inspection and liquid crystal display checking. He is confident of raising about £1m of venture capital—before companies in the U.S. and elsewhere develop competitive machines.

At least one other UK company, Lloyd Doyle of Walton-on-Thames, has a machine, but it looks at PCB tracks before insertion and is of more interest to PCB naked board makers.

Quick and dirty means cheap and right

Professional Personal Computing

BY ALAN CANE

MR GEOFFREY PATTIE, Industry and Information Technology Minister, will tomorrow see in action a way of developing personal computer programs that is likely to revolutionise the software business.

It is called prototyping. Programs developed using the technique are exact equivalents of the working prototypes built, for example, by automobile makers before they commit themselves to full scale manufacture.

Mr Pattie will see examples of prototyping at Softwright Systems of Chertsey in Surrey, which seems, for the time being at any rate, to have cornered the market in exploiting this technique commercially.

Prototyping sounds a fairly obvious approach in an engineering discipline and, in fact, Dr Christopher Grindley of Price Waterhouse was spreading the prototyping gospel as early as 1966. He later set out the principles in detail in his book Systematics, and Price Waterhouse uses his techniques today.

What held up the rapid adoption and spread of prototyping was the cost of hardware and a lack of effective ways to speed up the prototyping process. Now, with low cost but powerful personal computers and so called "fourth generation" languages to generate programs automatically, these barriers have been removed.

The basic idea behind prototyping is that customers do not know what they want. They may come up with a fair description of their requirements, but only after seeing the resulting system in action will they see its shortcomings, refine their ideas and specify changes and modifications: "I know that's what I said I wanted but it's not right!"

This is not easy with traditional programming techniques, based around the notion of a product "life cycle." Briefly, this involves four phases. First, the analyst breaks down the customer's problem, then the systems designer specifies the programs to fit the customer's requirements.

The next stage involves the programmer in "coding"—writing out the program in a suitable computer language ready for the final stage, testing and evaluation.

The principal breakthrough which made prototyping possible was the development of "fourth-generation" computer languages (4GL), languages which create applications programs automatically.

Professional programmers have had these software tools available to them for some time. Good examples are Sperry's Mapper and Burrough's Linc; programs which write programs, they can dramatically reduce the time needed to create a software suite.

It is this speed that makes prototyping possible. The client outlines what he wants, the programmer uses a fourth generation language to produce a quick and dirty prototype, and client and programmer work together to refine the prototype into finished product.

And it works. Softwright Systems claims a host of satisfied customers including Centrefile, the computing services subsidiary of National Westminster Bank.

The basic idea behind prototyping is that customers do not know what they want

The task was "Solicitors' Office," a new Centrefile offering comprising time recording, legal accounting and word processing, all running on ICL personal computers and integrated by a local area network.

The project started last June and a prototype of the time-recording system had been generated within a month. By October, a full demonstration version of both time-recording and legal accounting had been delivered.

That involved 60 programs produced and tested at the rate of 1,000 lines of computer code a day. (Conventional industry wisdom has it that 10,000 lines of code a year is good going.)

Mr John Wallace, Centrefile managing director, said he was impressed: "We were able to meet all our deadlines."

Mr J. A. Kemp, manager, professional services for Centrefile, agreed: "We could not have achieved completion without these techniques. We would still be only one-third of the way through the project."

Softwright Systems uses a fourth generation language called Sourcewriter, developed by Martin Anderson. Formerly with the UK computing services company Logica, he started his own company, Sourcewriter Ltd., to sell it. Instead, the company was bought by Microfocus, one of the UK's brightest software houses.

Softwright Systems was started to develop applications programs using Sourcewriter.

Companies with software developed by Softwright include Air Products, B.A.T., RMC Group and C. E. Kinchin and Safeway Incorporated.

Ms Jane Tozer, managing director of Softwright, describes the SSL approach as "Volvo-like." Titles like systems analyst, programmer and systems designer have been abandoned.

Instead there are only systems builders and senior systems builders who have continued responsibility for the development of the systems from the initial discussions onwards.

Ms Tozer says: "This cuts down communications overheads, and gives considerable peace of mind to the clients. The person to whom you explain the intricasies of your requirements is actually going to implement it, rather than explain it to someone else and test it afterwards."

Are there drawbacks to prototyping? Dr Grindley of Price Waterhouse sees two. First, that 4GLs are not adequate yet for very big projects; prototypes can be generated for scaled down versions but after that it is back to traditional methods.

Second, prototyping can become addictive. Unless there are powerful constraints on time and money the urge to continue to improve the prototype can be destructive.

With the continued move towards more powerful 4GLs, prototyping seems certain to take a prominent position in the software engineer's toolbox.

Components

Optical sensors

The Department of Trade and Industry is helping to fund research in the application of optic fibres as industrial sensors. Nine companies including ICI, Pilkington, Pye Unicam and Hunting Engineering are linking with the University of Manchester Institute of Science and Technology (UMIST) to form a special unit for optical sensors research.

The unit will develop fibre optic based sensors which are chemically sensitive but can operate in hazardous environments to monitor trace gases or other chemical parameters in industrial processes.

UMIST sees this technology of growing importance over the next decade simply because it allows accurate measurement in difficult environments.

The DTI has provided funds of about £108,000 for the next three years which each company is investing £11,500 over the same period.

Medicine

Shattering stones

A WEST German company is to market machines which use shock waves to shatter kidney stones painlessly.

Dornier System GMBH said the technique, an offshoot of its research into the effects of shock waves on spaceships and planes, involves applying shock waves to kidney stones from ouside the body. The disintigrated kidney stones pass out of the body in urine.

The machines are in use in 14 West German clinics and some 10,000 patients have been cured by the method since 1980. Now Dornier is setting up firms to build the stone crusher commercially in West Germany and the United States. It is also working on a machine to shatter gall stones.

THE MANAGEMENT PAGE : Small Business

EDITED BY CHRISTOPHER LORENZ

Key issues for enterprise unit

LORD YOUNG, Minister without Portfolio, expects to be able to report on ways in which the Government can improve its small business policies by the summer.

Under his broad mandate of promoting enterprise and job creation, Lord Young chairs *four inter-departmental* working parties which are examining measures to improve the training of 14-18 year olds, small businesses, competition policy and the reduction of controls and regulations.

The working party on 14-18 year olds expects to report by Easter, with *a review of small* companies policy to come a few months later.

Recommendations will be presented to a cabinet committee chaired by the Prime Minister or a senior minister, and are expected either to lead to a White Paper or to a series of administrative changes in the departments involved in small firms' policy.

The working parties' efforts are being co-ordinated and backed up by Lord Young's controversial Enterprise Unit. The 10-strong team is still a long way from coming up with specific suggestions for improving the Government's approach to small firms. But it has revealed—in the most detailed indication of its intentions so far—that its staff are concentrating on six main issues.

● Finance. The unit is con*cerned that* the Business Expansion Scheme, under which shareholdes get tax relief on unquoted investments, may be attracting too many established companies and not enough genuine ventures in their early growth stages. It is also anxious to tackle the so-called "funding gap" which has provoked widespread complaints that businessmen find it almost impossible to raise small amounts of equity finance.

● Statistics. Inadequate information is making it difficult for the Government to monitor the effectiveness of the 100 or more small business measures it has put into effect. The unit is faced with the problem of how to improve centrally gathered statistics on small companies' performance without creating more red tape. Robin Lingard, the Department of Trade and Industry official who heads the unit, stresses: "We don't want to fall into the elephant's trap of creating more regulations."

● Advice. Lord Young's staff are examining whether the multitude of sources of advice available to entrepreneurs could be better co-ordinated. There is concern that bodies like the DTI's small firms' service and the enterprise agencies might not be reaching their markets as effectively as they could because small businessmen are unsure where to turn for help.

● Training. The unit is considering whether the wide variety of management training schemes offered by the Manpower Services Commission, enterprise agencies and others could be improved or presented more effectively. Small business failures are running at a higher rate than the Government would like—8 to 10 per cent annually according to one official estimate—and the unit feels that inadequate management training is a prime cause.

● Red tape. Deregulation is the most widely publicised and sensitive issue being examined by the unit. It is working in parallel with an inter-departmental scrutiny committee, which is expected to report to the Prime Minister and to *David Trippier, the small firms'* minister, bythe end of this week. The unit and the deregulation working party it supports cannot decide on any action until they have seen the report. But Lord Young might step in if the report's recommendations are so radical as to need his considerable political support.

The main difference between the scrutiny committee and the Enterprise Unit is that the committee is examining deregulation from within the seven departments represented on it, while the unit is taking an inde*pendent outside look at job* creation in general. "We are a sort of 'ginger group' in that we are getting departments to think about enterprise. We are certainly not taking over their jobs—indeed we depend on their support," says Lingard.

He *emphasises that* Lord Young's working parties are unlikely to come up with any major new initiatives for assisting small businesses. Their task is to attempt to improve the operation of what is already on offer. He says: "If we have a role, it is the expansion of what we are already doing for small firms."

W. D.

Trevor Humphries

Alan Dow: a broker between companies and enterprise agencies

Why charity begins with self-interest

William Dawkins on pros and cons of secondment

MOST large companies agree that they ought to show a sense of social responsibility.

One way to do this is to send executives out to work for Britain's 200-plus enterprise agencies or to other community bodies. But there are signs that corporate sponsors may be finding it less easy to be generous about this kind of secondment.

This concern was thrown into sharp relief this week by Business in the Community, a partnership of the private sector and local government, which aims to encourage companies to support small businesses in their regions. It unveiled two *measures to add impetus to its* attempts to persuade more companies to lend managers to enterprise agencies.

BIC announced a pioneering scheme to attract young executives to work for enterprise agencies in London by providing them with a year's management development diploma course while in the field. In a connected move, the group recruited Alan Dow, 61, personnel director for the London Electricity Board for 12 years, to organise a promotion effort to be directed at corporate sponsors later this year and to review the difficulties experienced in obtaining secondees.

At least 1,000 senior executives are currently working on full-time secondment to enterprise agencies and other community bodies, where they provide valuable training and advice for budding entrepreneurs as well as—ideally at any rate—benefiting their employers through the education they acquire on the process.

But there are signs that the demand for their services is *beginning to outstrip the* supply. As corporate sponsors emerge from the recession with more streamlined management, they are finding it less easy to justify farming out experienced managers for two years to work for enterprise agencies.

And they are unwilling to unload low quality executives to such bodies because that gives them a bad name with the small companies they advise, who could one day become customers. Moreover, it is an unsatisfactory way of deferring thorny decisions over redund*ancy, even if secondees' salaries* are tax deductible while they are in the field.

Alan Dent, community involvement manager for Marks & Spencer, admits that it is becoming more difficult to pull young and middle aged execu*tives out of the business.*

"Secondment is a very effective way of giving something to the community. But having said that, our business is expanding and good people are therefore not available to go on secondment," he says. Marks & Spencer now has 13 employees working outside the company on various small business and community projects, as against 19 last July.

Dow's boss, David Jefferies, chairman of the LEB, voices a contrasting view, which provides a revealing example of the enlightened corporate self-interest on which the success of secondment depends. He points out that rising unemployment—the GLC announced last week that unemployment in London had topped 400,000 for the first time—is damaging his business.

Last year, the LEB had to make a £7m provision for customers' bad debts, and a further £10m of revenue was lost through meter-fiddling. "That is a significant amount of money for us. We felt that if we could help in some way to reduce unemployment, that would be of direct benefit to the London comunity and help us as a *business," says Jefferies.*

"There is no point in us selling energy in a profligate way to people who can't afford it," he adds. The fact that Dow is nearing retirement also has something to do with it. His secondment allows the LEB to move Dow's eventual replacement into the job for a trial 18 months while he is still on tap to help and advise the personnel director-to-be.

"It's an intelligent way of getting a new group of people in to replace an old group," says Jefferies. This could be one reason why—according to anecdotal evidence—a growing number of managers available for secondment are near the end of their careers.

As far as BIC is concerned, Dow's appointment is a recognition that advice from working managers has become such an important tool in getting small businesses under way that the group needs a full-time executive to promote and co-ordinate secondment.

Dow explains: "It's an easy idea to sell to company chairmen, but it's much less easy to sell secondment to personnel and line management who have *to make sure it works."*

His first task will be to act as a broker between companies and enterprise agencies, ensuring that people and information reach the right targets. Beyond that, there are several specific problems Dow aims to tackle, including the anxieties that many executives experience while on secondment.

He is keenly aware of the danger of secondees getting out of touch with their employers while they are away, with the result that they feel worried about the future and doubtful about the personal value of their enterprise work.

"It can be very discouraging to get back to a job and find that you have been forgotten. We can never ensure promotion, but we can at least make sure that they are kept in touch with *a senior person," says Dow.*

He will also be emphasising to company sponsors the value of agency secondment as general management training for younger personnel. One step in this direction is the young executives' one-year secondment scheme announced by BIC last week, its first specific attempt to attract management aged between 25 and 35 to assist small firms.

Launched in conjunction with the City University Business School, it entitles participants to sit for an MBA degree after return to their companies and part-time studies for a further year.

While on secondment, they will attend lectures and tutorials at the business school one day a week. Sponsoring companies pay the £4,000 City University Business School diploma course fees, plus another £2,500 if the participants go on to the master's course.

BIC's Christopher Norman-Butler says 10 groups have shown interest, including the Treasury, nationalised industries and several major engineering and computer companies. The course is aimed at people who are completing their training before taking up a responsible post witihn their companies.

"The idea is to provide a mixture of the theoretical side of management training with an experience of the wider problems of dealing with small companies. It's a blend of the rough with the smooth," says Norman-Butler.

He is unashamedly looking for the "cream" of young executimes. An ambitious target perhaps—but if the course proves as useful to the sponsoring companies as it does to the small businesses their employees are helping, it could set a new trend for secondment.

BIC is already talking to Durham and Glasgow universities about starting similar courses, and other institutions may follow if the London scheme is a success.

The business plan is the key to all finance

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Updating the figures in the plan each year — from a basis of actual performance — will usually be rewarding in itself, forcing analysis of past variations from budget and better forecasting of the period ahead.

It will also ensure that the small business owner-manager always knows what finance is likely to be needed.

Numbers are the starting point—a forecast of profit and loss for at least three years ahead, with firm forecasts of what the business hopes to achieve in the immediate future. You can work it out on multi-column analyses sheets on sale at any stationer's or by using spreadsheet software on a home computer.

Sales revenue is put along the top line on a month by month basis and monthly costs go underneath. The famous "bottom line"—profit or loss—is then obtained by subtracting costs from revenues. Negative figures will show how much finance you will need and when.

If you have no access to a microcomputer your local enterprise agency probably has and may be able to help with some "What if . . . ?" *variations, so that you can* quickly work out the effect of not making sales targets in any period or of costs rising suddenly.

Such exercises are needed for preparation of "optimistic," "pessimistic," and "likeliest" forecasts. Banks and other backers will know that you have done your homework if you can provide this sort of information.

But the plan is not just about numbers. John Ormerod and Ian Burns of the Arthur Andersen, the accountants, have reported that one experienced venture capitalist rejects out of hand 85 *per cent* of business plans. Of the 15 per cent given serious consideration, only one-third get to the negotiating stage.

The business plan's appeal is therefore crucial. It says a lot about you, your ideas and your business. Properly pre*sented, it will reassure* a financier that money risked will be safe and will yield a good return.

You must explain why the financial projections are likely to turn out to be true. Start off by *writing* a summary which will "hook" the reader. The likelihood of good returns is what userers want to read, so excite their interest by giving them what they want.

Then, cover history, products or services, markets, marketing, competition, sales and pricing, manufacturing and/or operations, and management. Make people believe you can make the plan happen. The financial analysis should follow. Omerod and Burns suggest covering risks (and how to minimise them) and rewards (such as the possible eventual worth of the business). They would also add a timetable of milestones and key deadlines.

Treat banks or potential backers as you would your most valued customer, even if you are shopping around several of them for funds. Write the plan yourself—so that it smacks of you and your determination — but get your accountant to check it. And whatever you do, think of the busy reader and don't run to more than 15 pages.

Ian Hamilton Fazey

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175 Electric Avenue, Witton, Birmingham B6 7EH

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FT COMMERCIAL LAW REPORTS

Assignment of computer action is valid

E. D. AND F. MAN LTD AND ANOTHER v EMR MANAGEMENT SERVICES LTD AND ANOTHER
Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Lloyd and Sir John Megaw): February 5 1985

ASSIGNMENT OF a right to litigate is valid where the assignee has a pre-existing and genuine commercial interest in the outcome of the action; and the fact that assignor and/or assignee may be better off as a result of the assignment, does not of itself render the agreement to assign champertous and void.

The Court of Appeal so held when *allowing an appeal from* Mr Justice Tudor Evan's refusal to grant an application by EMR Management Services Ltd, first defendant in an action by ED and *F Man Ltd, for leave to* amend the pleadings in the action to give effect to Man's assignment to EMR of its cause of action against the second defendant, Cossor Electronics Ltd.

* * *

["Champerty" is a form of "maintenance" by which a person *assists* a party *to litigation* to maintain the action in consideration of receiving a share of the proceeds. Criminal and tortious liability for champerty were abolished by the Criminal Law Act 1967, but contracts involving champerty remain void as being contrary to public policy.]

*

SIR JOHN MEGAW said that in 1976 Man, a London commodity broker sought advice from EMR, computer consultant, about the installation of a computer system for its business.

EMR recommended a number of computer manufacturers, *including Cossor. As a result Man* entered into a contract with Cossor for the supply, installation and maintenance of a computer system.

The system never worked. It was quite inadequate for Man's needs and was scrapped.

In December 1979 Man launched an action against EMR for damages for breach of contract and negligence, asserting that it had failed in its duty to advise as to suitability of the system.

EMR denied liability and asserted that any damages suffered were caused by Cossor's breach of contract with Man. As *a result Man brought in Cossor* as second defendant. The damages particularised against EMR were claimed equally and identically as against Cossor. Cossor denied liability.

In September 1984 EMR issued a third party notice against Cossor seeking indemnity or contribution in respect of the claim against it. Cossor delivered a defence.

When the date for trial of the action was approaching EMR apparently recognised it would be found liable and paid £302,002 into court "in satisfaction of all the causes of action" claimed against it. *Accepting that* it was liable for part of the damages, it hoped to avoid what threatened to be a long and costly trial of the action. *In its view responsibility* for the damages belonged in part to Cossor.

Man was prepared to accept the £302,002 in respect of the whole action against both defendants, provided it could obtain satisfactory arrangements as to Cossor's costs against it, and its costs against Cossor. Cossor was not prepared to forgo its costs.

On November 16 Man and EMR agreed that Man should assign its cause of action against Cossor to EMR. On November 19 Man gave notice of acceptance of the £302,002 in court, and on November 20 the deed of assignment was executed. Cossor claimed the assignment, or the agreement to assign, was champertous and therefore void.

On November 23 EMR wrote to Cossor saying that while the assignment would theoretically enable it to pursue Cossor for the total amount in issue in the *action, in practice it would be* seeking to recover only half, namely £151,001, on the basis that it and Cossor were liable in equal shares. EMR's claim on the assignment was *alternative* to, not cumulative with, the contribution proceedings.

At the opening of the hearing of the action counsel for Man and EMR applied for leave to amend Man's statement of claim to plead the deed of assignment. The present appeal was against Mr Justice Tudor Evans's decision that the assignment was champertous, against public policy and void. He refused leave to amend, basing his conclusion on the view he took of *Trendtex v Credit Suisse [1982] 2 AC 679.*

The issue as to validity of the assignment should be decided on *the basis of the law as defined in Trendtex*. The essence of that decision, so far as it related to maintenance and champerty, was expressed by Lord Wilberforce at page 694, beginning with the words: "If no party had been involved in the agreement but Trendtex and Credit Suisse . . . it would have been difficult to contend that the agreement . . . offended against the law of maintenance and champerty."

Credit Suisse, he said, had "a *genuine and substantial interest*" in the assigned litigation. The vice of the agreement related to the fact that it appeared on its face to contemplate the possibility that the cause of action might be sold on by Credit Suisse to some stranger without pre-existing interest in the action, so as to result in a profit being made by that stranger, and perhaps by Credit Suisse.

Lord Wilberforce did not say or imply that the mere fact that the assignee, being a person who immediately before the assignment had a "genuine and substantial interest" in the action, *might* make a profit out of the assignment, was a ground for condemning it as champertous and contrary to public policy.

At page 703 Lord Roskill said that "if . . . the assignee had a genuine commercial interest in taking the assignment and enforcing it for his own benefit, I see no reason why the assignment should be struck down . . . ."

Mr Justice Tudor Evans concluded that EMR had no genuine commercial interest. *His Lordship* disagreed.

Although the contracts between EMR and Man and between Man and Cossor were *separate* contracts, they arose out of the same commercial transaction. If Cossor were in breach of its contract it must follow that the loss suffered by Man would have been less if Cossor had duly performed its contract. Hence the damages payable by EMR would have been less.

The judge had supported his decision by reference to Cossor's submission that the assignment "contemplated the making of a profit." What was meant by contemplation of making a profit in the present context?

When an agreement to assign a cause of action was made, the ordinary contemplation of assignor and assignee was that it would be to the advantage of each. They would be better off *in some way. "Better off" could usually be expressed as financial* benefit, even though it might be incapable of assessment.

If that were to be treated as "contemplation of making a profit" and if the consequences were that the agreement to assign would be champertous and illegal, few assignments would stand. That could not be the law.

An agreement to assign was not champertous merely because the assignee or assignor, or both had as part of his genuine commercial interest, the contemplation that he would be better off as a result.

If "contemplation of making a profit" were confined to such situations as existed in *Trendtex* where the assignee's intention was to sell the cause of action to a stranger at a higher price *than he had paid for the assignment*, there was obviously good reason why such a transaction might be regarded as champertous. That was of no relevance to the present case.

Again, if there were a prospect of some excessive profit, that might properly be a factor in deciding whether the commercial interest was genuine. That did not apply here.

The facts were that the assignee, EMR, had unequivocally precluded itself from recovering more than £151,001 by pursuing the assigned action. It had paid £302,002 which, in reality, was the consideration, not merely for release from claims against it as to costs, but also for the opportunity to reduce its liability by some amount not exceeding £151,001.

There was no good reason in public policy—and champerty was founded on public policy—why the potential profit-making, if profit-making it were, should have the effect of rendering the assignment illegal.

The appeal should be allowed and leave to amend granted.

LORD JUSTICE LLOYD, agreeing that the appeal should be allowed, summarised the principles established in *Trendtex*: (i) Maintenance was *justified inter alia*, if the maintainer had a genuine commercial interest in the result of the litigation; (ii) there was no difference between the interest required to *justify* maintenance of an action, and the interest required to justify taking a share in the proceeds, or the interest required to support *an out-and-out assignment*; (iii) a bare right to litigate, the assignment of which was still prohibited, was a cause of action, whether in tort or contract, in the outcome of which the assignee had no genuine commercial interest.

(iv) In judging whether the assignee had a genuine commercial interest for the purpose of (i) and (ii), one must look at the transaction as a whole; (v) if an assignee had a genuine commercial interest in enforcing the cause of action, it was not fatal that the assignee might make a profit out of the assignment; (vi) it was an open question whether, if the assignee *did make such* a profit, he was answerable to the assignor for the difference.

Looking at the totality of the transaction, EMR had a clear pre-existing interest in the fruits of the action. First, assuming that there had been no payment into court and no assignment, any sum recovered by Man from Cossor would have gone in reduction of the sum recoverable from EMR. It followed that EMR had a pre-existing interest in the success of Man's cause of action against Cossor. It could not be doubted that such an interest was a "genuine commercial interest" within the principles established by *Trendtex*.

Secondly, EMR had a genuine commercial interest in the avoidance of a pre-existing potential liability for Cossor's costs.

SIR JOHN DONALDSON agreed with both judgments.

For EMR: Simon Goldblatt QC and John Slater (Barlow Lyde and Gilbert).

For Cossor: Jonathan Sumption (Lovell White and King).

By Rachel Davies
Barrister

Company Notices

CIRCULAR OF THE CENTRAL BANK OF NIGERIA DATED 19TH APRIL 1984
APPLICABLE FOREIGN EXCHANGE RATES FOR ANTICIPATED NOTE ISSUE ON OR ABOUT 21ST FEBRUARY 1985

N.B. THIS ANNOUNCEMENT ONLY RELATES TO CONFIRMATIONS OF ELIGIBLE DEBT RESULTING FROM NOTIFICATIONS ISSUED ON BEHALF OF THE CENTRAL BANK OF NIGERIA ON THE 8TH JANUARY 1985.

The spot rates of exchange quoted by The Chase Manhattan Bank, N.A. for the purchase of *U.S. Dollars* with each of the following currencies in the London Foreign Exchange Market at or about 11.00 a.m. (London time) on 11th February 1985 and which will be applied in calculating the U.S. Dollar equivalent of confirmed claims owing in other foreign currencies for the purposes of any Notes to be issued on or about 21st February 1985 are as follows:

Austrian Schilling	22.8775
Belgian Franc	65.27
Swiss Franc	2.7845
Deutsche Mark	3.2555
Danish Kroner	11.6240
French Franc	9.9375
Pound Sterling	0.9052
Indian Rupee	12.82
Italian Lira	2001.00
Japanese Yen	260.60
Nigerian Naira	0.7804
Dutch Guilder	3.6845

The date anticipated for issue of Notes is subject to alteration.

This announcement is subject to the terms and conditions of the circular.

By: The Chase Manhattan Bank, N.A.
as Reconciliation Bank
for
The Central Bank of Nigeria

SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Tuesday February 12 1985

Nestlé in Eurobond debut with $100m issue, Page 40

WALL STREET

IBM chips away at confidence

THE SIX-WEEK rally on Wall Street suffered its first significant setback yesterday when both blue chips and second-line issues ran into a bout of selling, *writes Terry Byland in New York.*

The market opened quietly but was routed at mid-morning when IBM tumbled more than $4 in heavy trading after two brokerage analysts cut their ratings on the stocks. Bonds at first extended Friday's rally but later turned down sharply ahead of today's commemoration of Lincoln's birthday, for which the New York Federal Reserve, banks and the Treasury bond markets will close.

By 3pm the Dow Jones industrial average was down 15.24 at 1274.73.

Wall Street is feeling less optimistic about the prospects for interest rates. The Federal Reserve Open Market Committee meeting today and tomorrow is not expected to vote for any further easing in credit policies. Money supply is believed to be rising once again, and last week's budget proposals from the Reagan Administration have reawakened the market's worries over the federal deficit.

The renewed slide in the bond market further undermined equities. Most of the recent favourites turned smartly down. Airline stocks saw some selling, although the greater part of the fall in the Dow transportation average came from weakness in rail issues.

Among industrials, however, the slump in IBM set the tone. At $133¾ the stock was $4⅛ down by mid-session, with turnover putting the computer group well at the head of the active stocks list. Merrill Lynch and E.F. Hutton cut their estimates of IBM's first-quarter profits, pointing to the effects of a strong dollar. The board of IBM made no comment.

Other mainframe computer makers to feel the backlash of IBM's setback were Honeywell, $1⅛ off at $63 and Burroughs, $1⅛ lower at $61½.

Also under significant selling pressure was General Motors, with a $1⅝ fall at $78⅝, bearing witness to the market's unhappiness with the slowdown in the final quarter of last year. GM's decision to abandon the X car, as well as a federal order to recall nearly 1.8m cars because of brake problems, helped to unsettle the stock price. Chrysler, $⅜ off at $32⅝, and Ford $½ down at $45¼ were also lower.

Rail issues turned nervous on fears of a fight in Congress over the decision to allow Norfolk Southern to buy Conrail.

Norfolk dipped $1⅜ to $66⅝, and there were falls of $1½ to $56 in Barlington Northern and $⅝ to $25¼ in CSX.

The banking sector slid lower as investors shied away from some of the leading names. Bank of Boston tumbled $1½ to $45½ as it was revealed that problem currency transactions had been uncovered by federal investigators. Worries over the losses on mortgage-backed securities at BankAmerica took a further $⅝ off the stock at $18½.

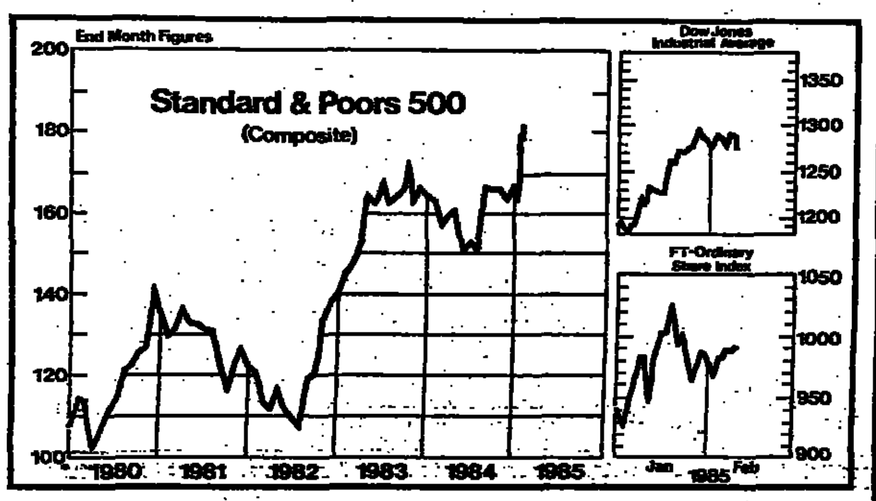
Disappointment with the final quarter continued to depress retail issues with J. C. Penney, $¼ off at $47⅞, Safeway $⅝ down at $30⅝ and American Stores, $1½ off at $49. But K mart recouped $⅝ of its recent fall to $37¼.

There was no reason to test Federal Reserve credit policies yesterday. With the federal funds rate at 8¼ per cent short-term and money market rates eased by three or four basis points.

The bond market started well but the absence of retail interest left the traders to worry about the heavy weight of Treasury paper taken onto their portfolios at last week's auctions.

Prices sagged at the longer end of the scale to show falls ranging to about half a point.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Feb 11	Previous	Year ago
DJ Industrials	1,274.73*	1,289.97	1,160.7
DJ Transport	620.68*	630.09	514.55
DJ Utilities	149.26*	150.8	127.17
S&P Composite	180.27*	182.19	156.3
LONDON			
FT Ord	991.1	988.5	803.0
FT-SE 100	1,297.5	1,295.3	1,018.0
FT-A All-share	622.89	622.26	482.65
FT-A 500	680.71	679.44	515.74
FT Gold mines	470.8	484.5	589.9
FT-A Long gilt	10.84	10.73	10.73
TOKYO			
Nikkei-Dow	closed	12,009.0	9,959.9
Tokyo SE	closed	924.45	775.4
AUSTRALIA			
All Ord.	765.3	772.6	743.4
Metals & Mins.	431.6	439.5	518.5
AUSTRIA			
Credit Aktien	62.36	82.3	55.35
BELGIUM			
Belgian SE	2,155.76	2,157.4	–
CANADA			
Toronto			
Metals & Minls	2,168.0*	2,182.5	2,186.0
Composite	2,598.4*	2,612.9	2,401.5
Montreal			
Portfolio	130.73*	131.57	117.48
DENMARK			
Copenhagen SE	174.26	173.11	211.12
FRANCE			
CAC Gen	199.2	198.9	163.6
Ind. Tendance	108.4	108.8	88.3
WEST GERMANY			
FAZ-Aktien	399.2	400.84	351.54
Commerzbank	1,161.4	1,162.6	1,037.2
HONG KONG			
Hang Seng	1,357.94	1,347.88	1,050.77
ITALY			
Banca Comm.	273.69	271.52	218.57
NETHERLANDS			
ANP-CBS Gen	200.4	199.6	158.7
ANP-CBS Ind	158.5	158.5	131.2
NORWAY			
Oslo SE	345.43	345.6	238.83
SINGAPORE			
Straits Times	808.94	817.51	1,060.2
SOUTH AFRICA			
Golds	848.4	888.8	901.8
Industrials	861.8	861.2	972.7
SPAIN			
Madrid SE	113.47	112.0	79.55
SWEDEN			
J & P	1,486.98	1,484.5	1,560.82
SWITZERLAND			
Swiss Bank Ind	417.2	418.3	365.9
WORLD	Feb 8	Prev	Year ago
Capital Int'l	197.1	196.7	179.4

GOLD (per ounce)

	Feb 11	Prev
London	$300.00	$299.25
Zürich	$300.00	$300.50
Paris (fixing)	$299.57	$300.68
Luxembourg	$300.00	$300.65
New York (Feb)	$305.30	$301.20

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Feb 11	Previous	Feb 11	Previous
$	–	–	1.0965	1.1115
DM	3.275	3.2575	3.5925	3.615
Yen	261.6	260.65	286.75	289.5
FFr	9.99	9.94125	10.94	11.04
SwFr	2.794	2.775	3.065	3.08
Guilder	3.71	3.6825	4.0675	4.09
Lira	2,010.5	2,001.5	2,204.5	2,221.5
BFr	65.6	65.25	71.9	72.25
C$	1.33875	1.33535	1.4665	1.483

INTEREST RATES

Euro-currencies	Feb 11	Prev
(3-month offered rate)		
£	13 15/16	13⅞
SwFr	5 11/16	5 11/16
DM	6⅜	6⅜
FFr	11 1/16	11 1/16
FT London Interbank fixing		
(offered rate)		
3-month U.S.$	9⅛	9 3/16
6-month U.S.$	9 7/16	9½
U.S. Fed Funds	8¼*	8 9/16
U.S. 3-month CDs	8.65*	8.8
U.S. 3-month T-bills	8.18*	8.22

U.S BONDS

Treasury		Feb 11*		Prev	
		Price	Yield	Price	Yield
9⅞	1987	99 17/32	10.01	99 17/32	10.01
11⅝	1992	101 15/32	11.28	101 15/32	11.28
11¼	1995	99 4/32	11.40	99 15/32	11.37
11⅞	2015	99 15/32	11.31	99 27/32	11.27

Corporate	Feb 11*		Prev	
AT & T	Price	Yield	Price	Yield
10⅝ June 1990	98¼	11.15	98¼	11.15
3⅞ July 1990	77¼	9.35	77¼	9.35
8¾ May 2000	78⅝	11.75	78⅝	11.75
Xerox				
10⅜ March 1993	96¾	11.25	96¾	11.25
Diamond Shamrock				
10⅜ May 1993	95⅝	11.55	95⅝	11.55
Federated Dept Stores				
10⅝ May 2013	89⅝	11.90	89⅝	11.90
Abbot Lab				
11.80 Feb 2013	99⅛	11.90	99⅛	11.90
Alcoa				
12¼ Dec 2012	99½	12.30	99½	12.30

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT)				
8% 32nds of 100%				
March	71–26	72–18	71–23	72–07
U.S. Treasury Bills (IMM)				
$1m points of 100%				
March	91.72	91.78	91.71	91.71
Certificates of Deposit (IMM)				
$1m points of 100%				
March	90.99	91.12	90.97	91.05
LONDON				
Three-month Eurodollar				
$1m points of 100%				
March	90.75	90.81	90.75	90.57
20-year Notional Gilt				
£50,000 32nds of 100%				
March	103–13	103–31	103–05	104–16

COMMODITIES

(London)	Feb 11	Prev
Silver (spot fixing)	550.00p	549.50p
Copper (cash)	£1,272.00	£1,247.50
Coffee (March)	£2,387.50	£2,542.00
Oil (spot Arabian light)	$27.45	$27.45

LONDON

Renewed concern on rates

RENEWED concern about sterling's strength against the dollar took its toll in London gilts markets yesterday. The pound and other leading currencies declined to new lows and wholesale credit rates rose.

That led to pressure on bank base rates, which stand at 14 per cent as the three-month interbank rate closed at 13⅞ per cent.

More favourable U.S. bond market trends on Friday did not soothe investors' fears, which were reflected in a fair volume of selling.

The market became particularly edgy late in the afternoon when sterling fell below $1.10. Quotations steadied during after-hours trading, but both short and longer maturities closed with declines extending to 1¼ points, and at the day's lowest.

Equities were initially vulnerable but rising crude oil prices attracted buyers for leading stocks in that sector.

The recovery continued after the official close to leave the FT Ordinary share index 2.6 up at 991.1, after starting the day 6.5 lower.

Chief price changes, Page 32; Details, Page 33, Share information service, Pages 34–35.

AUSTRALIA

DECLINES were recorded across the board in Sydney as concern over Prime Minister Bob Hawke's handling of the nuclear armaments issues contributed to the market's nervousness.

The All Ordinaries index finished at 763.3, down 9.5 in moderate trading.

Metal and gold stocks were dragged down by a weaker bullion price. Peko-Wallsend shed 10 cents at A$4.05 and Poseidon suffered a 20-cent loss to close at A$2.60.

CSR dropped 32 cents to A$2.68, but after adjusting for the three-for-one rights issue, the shares were actually down about 5 cents.

SINGAPORE

THE absence of any fresh market factors resulted in widespread falls in Singapore. Although the number of declines far exceeded rises, price changes were mainly small and the Straits Times industrial index dropped 8.57 to 808.94.

UOB, most active, finished 4 cents lower at S$4.46. Banks held up better than most sectors, with Tat Lee Bank shedding 2 cents to S$2.76.

Properties and plantations both eased. City Developments dropped 3 cents to S$1.27, and in plantations Sime Darby fell 4 cents to close at S$1.90. In industrials, Haw Par declined 7 cents to S$2.26 and Inchcape 5 cents to S$2.61.

HONG KONG

INSTITUTIONAL interest from abroad and selective local buying helped to lift the Hang Seng index 10.06 to 1,357.94 in moderate trading.

Reports that Wheelock Marden might be restructuring or the target of a takeover bid hoisted the company's 'A' shares 10 cents to HK$4.65.

Key stocks to record advances included Cheung Kong, up 20 cents at HK$13.07; Hang Seng Bank, which jumped 75 cents to HK$47; and Hongkong Telephone, which advanced HK$1 to HK$60.5.

SOUTH AFRICA

GOLD stocks fell sharply in Johannesburg as the bullion price hovered around the $300-an-ounce support level.

Vaal Reefs fell R16.50 to R154.50 and Randfontein Estates R8.50 to R165.

Other mining stocks were also marked down. Impala Platinum gave up 50 cents to close at R23 and De Beers 10 cents to R8.55.

CANADA

MODERATE losses were recorded in most sectors in Toronto, but oils, properties and transports advanced.

Dome Petroleum, which last week put together a debt restructuring package, traded 15 cents higher at C$3.30.

Canadian Pacific, which is proposing a three-for-one share split after improved profits last year, went ahead by C$⅛ to C$58⅞.

Industrials showed gains in Montreal while banks and utilities retreated.

EUROPE

Pervasive power of the dollar

THE PERVASIVE power of the U.S. dollar was again demonstrated in Europe yesterday as Dutch stocks hit another all-time high on the strength of North American buying, while other centres opened the week on either a subdued note or responded chiefly to technical pressures.

The breaching in **Amsterdam** of the 200-point barrier on the ANP-CBS General index, with a rise of 0.8 to 200.4, was partly engineered by the strong advance of Royal Dutch – a major constituent of the index – as the international oil group soared Fl 4.10 to an all-time high of Fl 199.4. Persistent U.S. support had pushed the share across the Fl 200 threshold earlier.

Optimistic forecasts for Dutch trade and industry gave the green light to domestic investors who took a significant, but not a dominant, stance in the day's trade.

Other strong performers were Océ van der Grinten, Fl 2.50 ahead at another new high of Fl 306.5 and NMB, which rose Fl 1.50 to Fl 184.50.

Bond prices tumbled as investors retreated pending a rise in interest rates. Falls amounted to 30 basis points.

Despite the rise of the dollar to a 13-year high against the D-Mark, Frankfurt trading was light, with only a slight buoyancy in prices near the close. The Commerzbank index turned 1.2 lower at 1,161.4.

The late rebound was orchestrated by banks and chemicals after early caution engendered by AEG which stressed that losses incurred by the group in Saudi Arabia would not affect its forecast for the year. It finished DM 4.60 off at DM 111.70.

The unease about AEG spilled over to Siemens, which ended DM 3 down at DM 541.50.

High technology issue IWKA, which was subject to speculation last week that General Motors or VW might be behind the recent high turnover of shares in the robot and armaments manufacturer, shed DM 6 to DM 290.50. IWKA is trading at about twice the price of a year ago.

Deutsche Bank's DM 1.60 rise to DM 404.30 led a fragile banking pitch, while BASF in chemicals firmed 40 pfg to DM 184.80 – just below its 12-month high.

The DM 8 gain by Porsche to DM 1,111 took the sports car maker within a whisker of its all-time high. BMW managed to curtail its losses to DM 3 at DM 358.

Bonds shed up to 60 basis points, and the Bundesbank extended its purchases of paper to DM 50.3m from Friday's DM 31.3m.

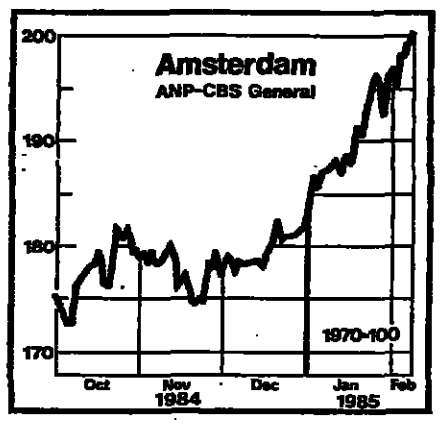
A broad rally in **Madrid** took Telefonica, the telephone monopoly, 6.25 points higher to 125.25 per cent of nominal value. Technical trading in **Milan** took many issues higher but they closed below the day's best.

Profit-taking trimmed some recent gains in mixed **Zurich** trading with Oerlikon-Bührle, actively traded last week, retreating SwFr 40 to SwFr 1,470.

Unease over the future of the governing coalition pushed **Brussels** lower in light trading, as Petrofina eased BFr 80 to BFr 7,060.

A technical downturn eroded **Paris** sentiment. Profit forecasts from L'Oreal were ignored and the cosmetics group finished FFr 25 weaker at FFr 2,265.

A mid-morning surge was the main feature of a mixed to lower **Stockholm** that took Electrolux, the most active stock, SKr 8 higher to another peak of SKr 317. Aga gained SKr 1 to SKr 373 on results.



TOKYO

High-tech appeal persists

HIGH-TECHNOLOGY issues, particularly those related to biotechnology, have dominated buying in Tokyo since last autumn, *writes Shigeo Nishiwaki of Jiji Press.*

Speculative buying in biotechnology-related stocks seems likely to persist in the current money glut, despite restrictive measures taken by the exchange authorities.

Among the 50 active stocks in January, Mitsui Sugar posted the largest gain of 7 per cent, benefiting from the company's development of a soil conditioner through the use of biotechnology.

Six other biotechnology-related issues were among the 10 largest gainers. The remaining three were related to semiconductors.

The consensus is that high-technology stocks, led by those related to electronics, new materials and biotechnology, will be the market pacesetters for the rest of the decade and into the 1990s.

The biotechnology-related stock boom was led last year by Mochida Pharmaceutical. Reports of its involvement in the manufacture of an anti-cancer agent had lifted the stock to Y16,600 by last October, from a low of Y2,500 last March.

Investor interest in biotechnology-related issues then spread to Kuraray, a leading synthetic-fibre maker, which was boosted by its participation in the development of a new anti-cancer drug. The stock had surged to Y1,240 by last February, from around Y230 a year earlier.

Yamanouchi Pharmaceutical then attracted buyers as it was developing an anti-cancer agent of its own. It also expects to play a leading role in the manufacture of Kuraray's drug. The stock shot up to Y4,450 by February, from Y1,100 last July.

Encouraged by the biotechnology stock boom, some speculators flocked to buy shares in companies planning to move into the field.

Many corporate managers were embarrassed by the sharply rising prices of their companies' stocks on speculative buying based on inaccurate information.

Mr Hisakazu Iizuka, Yamanouchi's managing director, said that he would have been happier if the stock-price rise had reflected positive appraisals of the company's activities, including the export of technology for an antibiotic to an American company, and the manufacture of high-quality drugs. He added, however, that the manufacture of some anti-cancer drugs was several years away.

Mr Taichi Ueno, president of Kuraray, was displeased about the sharp rise in the company's stock price. He said that stock prices should reflect managerial efforts to improve performance, thereby helping to boost stock prices in shareholders' interests.

Mr Nobuo Mochida, president of Mochida Pharmaceutical, warned that the unrealistic stock price behaviour would drive investors out of the market.

Foreign investors bought biotechnology-related issues aggressively when the boom started but are now indifferent to them.

□ Tokyo stock markets were closed yesterday for a holiday.

Prices at 3pm, February 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23⅝	16⅞	AAR	.48	2.3	16	151	20⅞	20⅛	20½	+⅛
24⅛	9⅜	AGS			12	187	16	15⅝	15⅞	−⅛
17⅞	13½	AMF	.50	3.1	88	88	16⅛	15⅞	15⅞	−¼
38⅛	24¼	AMR			8	5446	37	36½	36⅝	−⅜
20⅛	18⅛	AMR	pf2.18	11.		57	20⅛	19⅞	19⅞	
39⅝	27½	AMR	pf2.12e	5.8		7	36⅞	36⅝	36⅝	−⅛
25⅞	22⅞	ANR	pf2.67	11.		7	25	25	25	−⅛
14⅛	8½	APL			3	45	11⅜	11⅜	11⅜	−⅛
69¼	44⅜	ASA	2	3.9		834	51	49	51	+1⅜
27	16	AVX	.32	1.4	14	729	23⅞	22½	23⅛	−⅜
48⅞	36⅛	AbtLab	1.20	2.6	14	1868	47½	46⅛	46⅛	−⅝
25⅞	16½	AccoWd	s.44	1.7	20	118	25⅜	25⅛	25⅛	
24⅛	12½	AcmeC	.40	2.1		277	19	18⅛	18⅛	
11⅜	8⅛	AcmeE	.32b	3.2	12	57	10⅛	9⅞	10	−⅛
17⅞	15	AdaEx	2.11e	13.		74	16⅛	16½	16⅝	
18⅞	11⅞	AdmMl	.32	1.7	10	101	u19½	19⅛	19⅛	+⅛
19½	8⅝	AdvSys	.61t	6.5	20	154	13	12½	12½	−½
41⅛	25⅛	AMD			14	1706	35⅜	34½	34⅞	+⅛
12⅛	6⅞	Advest	.12	1.0		540	11⅞	11⅛	11½	
14⅛	6⅜	Aeflex			14	373	u14⅝	14⅛	14⅛	
42⅝	27⅛	AetnLf	2.64	6.5	34	831	41⅜	40⅜	40⅝	−⅜
58¼	52⅞	AetL	pf5.87e	11.		65	55½	55½	55½	
32⅛	15⅛	Ahmns	1.20	4.1	17	x1121	29⅝	29	29	−⅛
4⅞	2⅝	Aileen			31	43	3⅛	3	3⅛	
50	36½	AirPrd	1.20	2.5	11	570	48⅝	48⅛	48½	
24⅛	13	AirbFrt	.60	2.7	12	65	22⅞	22⅛	22⅜	−½
2	⅞	AlMoa	.5		25	111	1⅞	1⅜	1⅜	
31½	26⅞	AlaP	pfA3.92	12.		10	u31⅛	31½	31⅛	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

B–B–B

C–C–C

D–D–D

E–E–E

F–F–F

G–G–G

H–H–H

I–I–I

J–J–J

K–K–K

L–L–L

M–M–M

N–N–N

Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, February 11

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	3⅝	ADI	n		21	80	5⅝	5⅜	5¼	−⅛
3¾	1⅝	ADI	wt			64	2⅝	2½	2½	
2¾	⅜	AICPh				4	1⅜	1⅜	1½	
15¾	8⅝	AL	Lab .20	1.7	11	71	11⅞	11⅝	11⅞	+⅛
17¼	12	AMC	b .12	.7	12	78	16⅞	16¾	16¾	+⅛
5	2⅝	AM	Intl			687	4¼	4⅛	4¼	+⅛
78¼	58	ATTFd	n5.52e	7.3		46	76	76	76	
6	2⅞	AcmePr			24	64	4⅛	3⅞	4⅛	−⅛
15⅜	8½	AcmeU	.32	2.9	12	1	11⅛	11⅛	11⅛	
17¼	9⅝	Action			33	474	u17⅞	17⅛	17⅛	+⅛
8¼	3⅝	Acton				51	5⅞	5½	5½	−⅛
3½	5-16	Acton	wt			27	⅜	11-16	⅜	+1-16
3⅝	1½	AdmRs			4	33	2½	2⅜	2½	+⅛
27⅞	15⅞	AdRusl	.14	.5	20	140	u28½	27⅞	27⅞	+⅜
24¼	15	Adobe	.28	1.4	13	328	21¼	19⅞	19⅞	−⅜
8⅜	4½	Aeronc			8	34	7½	7¼	7¼	−⅛
38⅝	25⅝	AlfPb	s		17	6	37⅛	37⅛	37⅛	−⅛
9¼	6	AirExp			9	18	7⅛	7	7	−⅛
14	5⅝	Aircal			9	26	8⅝	8¼	8⅝	+⅛
5¼	2⅜	Alamco			6	18	3⅛	3	3	
81	65½	Almito	n			171	u83½	82	83¼	+2¼
13½	6⅛	AlbaW			9	26	8¼	8½	8¼	+⅛
4	2	AlnTrn				30	3⅝	3¼	3¼	+⅛
9⅛	5⅝	Alpha			2	17	7¼	7⅛	7⅛	−⅛
19	9½	Alphaln	.06	.4	18	147	13¼	13⅛	13½	−⅛
1⅝	½	Altex				132	1⅜	1¼	1⅜	
36	28⅝	Alcoa	pf3.75	11.		z500	34½	34½	34½	
28⅜	11	AlzaCp			57	468	27⅞	26¼	26⅞	−⅞
18⅝	9½	Amdahl	.20	1.3	20	x1016	16¼	16	16	−⅛
16½	6½	Amedco	.08	.8		127	10⅜	10¼	10⅜	
8⅜	4¾	AmBilt	.15	1.8	6	35	8⅜	8⅛	8⅜	
8¼	4	AmCap				57	5⅛	5⅛	5⅛	
33⅝	12¼	AExp	wt			175	32⅞	32	32	−⅞
7⅝	5⅜	AFruc	A			z2000	7	6⅞	6⅞	−⅛
7⅛	5⅛	AFruc	B			z200	6⅞	6⅞	6⅞	−⅛
12¼	7¼	AHlthM			7	620	9	8⅞	9	
6⅞	4	Alsrael			3	4	5⅛	5⅛	5⅛	
18¾	12⅞	AMzeA	.52	3.0	9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 30

[illegible]

Continued on Page 32

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Feb. 11	Price Sch%	+ or —
Creditanstalt	230	......
Goesse	382	—3
Interunfall	432	+3
Laenderbank	226	......
Perlmooser	338	—1
Steyr-Daimler	165	......
Veitscher Mag	306	+3

BELGIUM/LUXEMBOURG

Feb. 11	Price Frs.	+ or —
B.B.L.	1,825	—20
Banq. Int. A. Lux	5,620	+20
Bekaert B	5,000	+50
Ciment CBR	2,695	......
Cockerill	263	+1
Delhaize	6,800	......
EBES	2,780	......
Electrobel	8,110	......
Fabrique Nat	2,090	+30
GB Inno BM	2,860	—10
GBL (Brux)	2,020	—5
Gevaert	3,700	......
Hoboken	5,950	+20
Intercom	2,060	......
Kredietbank	7,740	......
Pan Hldgs	11,200	+200
Petrofina	7,060	—60
Royale Belge	10,300	......
Soc. Gen. Banq	3,215	—5
Soc. Gen. Belge	1,805	—10
Sofina	7,380	+180
Solvay	4,010	—30
Stanwick Intl.	1,490	+10
Tractionel	3,920	+20
UCB	4,825	+35
Wagon Lits	2,415	—15

DENMARK

Feb. 11	Price Knr %	+ or —
Andelsbanken	296	+4
Baltic Skand	590	......
CopHandelsbank	298	+6
D. Sukkerfab	640	+6
Danske Bank	294	+4
De Danske Luft	1,210	......
East Asiatic	168	......
Forenede Brygg	810	+5
Forenede Damp	94	+2
GNT Hldg	400	+1
I.S.S.B.	372	......
Jyske Bank	540	......
Novo Ind.	1,885	+95
Privatbanken	242	+3
Provinsbanken	290	+4
Smidth (F)	233	+8
Sophus Berend	920	+10
Superfos	456	+4

FRANCE

Feb. 11	Price Frs.	+ or —
Emprunt 4½% 1973	1601	—14
Emprunt 7% 1973	7,365	—50
Accor	264.5	+2.6
Air Liquide	620	+5
BIC	590	—14
Bongrain	1,623	—24
Bouygues	759	......
BSN Gervais	2,400	......
CIT-Alcatel	1,278	+6
Carrefour	2,950	—11
Club Mediter'n	1,255	+14
Cie Bancaire	613	—4
Cofimeg	255.2	+0.1
Damart	2,355	—45
Darty	1,184	—6
Dumez S.A.	689	+4
Eaux (Cie Gen)	561	—1
Elf-Aquitane	256	+1
Essilor	2,950	+2
Gen. Occidentale	746	+6
Imetal	81.1	—1.8
Lafarge Coppee	413.5	—4
L'Oreal	2,265	—25
Legrand	2,065	+45
Maisons Phenix	195	+4.5
Matra S.A.	1,600	+35
Michelin B	832	—13
Midi (Cie)	2,274	—16
Moet-Hennessy	1,950	—19
Moulinex	102.8	+0.3
Nord Est	76.5	—1
Pernod Ricard	678	+12
Perrier	505	—1
Petroles Fra	257.9	—1.9
Peugeot S.A.	290.5	+3.7
Printemp Aus	202.5	—1.5
Radiotech	245.1	—22.4
Redote	1,270	+18
Rousul-Uclaf	1,565	—75
Sefimeg	380	—3
SkisRossignol	2,060	—30
Telemech Elect	2,255	—55
Thomson CSF	495	+2
Valeo	247.5	+7.5

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

GERMANY

Feb. 11	Price Dm.	+ or —
AEG-Telef.	111.7	—4.6
Allianz Vers	1,004xr	—6
BASF	184.8	+0.4
Bayer	195.3	—0.4
Bayer-Hypo	319	—3
Bayer-Verein	327	......
BHF-Bank	279	—1
BMW	368	—3
Brown Boveri	190.6	+3
Commerzbank	167.5	—0.5
Cont'l. Gummi	120.3	—1.7
Daimler-Benz	632	—4
Degussa	368	—1
D'sche Babcock	169.5	+1.5
Deutsche Bank	404.3	—1.6
Dresdner Bank	188.5	—0.7
GHH	162.5	......
Hochtief	470	......
Hoechst	189.6	—0.4
Hoesch Werke	108.7	......
Holzmann (P)	391	—8.5
Horten	167	—1
Hussel	293	—5
Karstadt	209	+3
Kaufhof	207	—4
KHD	251.5xr	—0.5
Kloeckner	82	+0.5
Linde	404	—1
Lufthansa	189	+2
MAN	157.5	—0.5
Mannesmann	154	......
Mercedes Hld	553.4	—2.1
Metallgesell	235.9	+1.1
Muench Rueck	1170	+5
Nixdorf	533	—3.5
Porsche	1,111	+8
Preussag	255	......
Rhein West Elect	162.3	—0.2
Rosenthal	249	—1
Schering	477	—4
Siemens	541.5	—3
Thyssen	97.8	—0.2
Varta	180	—4
Veba	167.8	—0.8
V.E.W.	125	+0.5
Verein-West	309	—1
Volkswagen	191.7	—3.5

ITALY

Feb. 11	Price Lira	+ or —
Banca Com'le	18,700	—450
Bastogi IRBS	183	—2
Centrale	2,804	+89
Credito Varesino	4,500	+1
Fiat	2,549	+29
Finsider	56	—0.25
Generali Assicur.	41,300	+1800
Invest	2,925	......
Italcementi	60,700	+400
La Rinascenti	619	—5
Montedison	1,605	—4
Olivetti	6,650	......
Pirelli Co.	4,473	+78
Pirelli Spa	2,330	+13
Snia BPD	2,750	+48
Toro Assic.	15,700	—200
do. Pref.	11,600	+60

NETHERLANDS

Feb. 11	Price Fls	+ or —
ACF Holding	192	—5.5
AEGON	157.5	+1.5
Ahold	217.5	+1.0
AKZO	105	+0.8
ABN	395	......
AMEV	215	—2
AMRO	75.2	+1.0
Bredero Cert.	159.5	......
Bos Kalis Westm.	14.1	—0.5
Buehrmann-Tet.	86.2	+0.7
Calland Hldgs.	35.9	+0.2
Dordtsche Pet'm	176.6	+2.6
Elsevier-NDU	114.8	+0.8
Fokker	92.3	—1.2
Gist Brocades	179.5	......
Heineken	167.7	+0.1
Hoogovens	61.4	—0.4
Int Mueller	41.8	+0.8
KLM	49.6xc	......
Naarden	48.7	+0.5
Nat Ned Cert.	279.8	+0.3
Ned M'd Bank	184.8	+1.5
Nedlloyd	163	+2.3
Oce Grinten	306.5	+2.5
Ommeren (Van)	28.3	+0.1
Pakhoed	67.4	—0.1
Philips	60.1	—0.1
Robeco	74.9	+0.2
Rodamco	137.2	......
Rolinco	68.6	+0.3
Rorento	43.7	+0.2
Royal Dutch	199.4	+4.1
Unilever	340.5	+1
VMF Stork	148	+3
VNU	211	—2.5
West Utr Bank	104.8	+0.5

NORWAY

Feb. 11	Price Kroner	+ or —
Bergens Bank	169	—3.5
Borregaard	435	—1
Christiania Bank	163	—1
DenNorske Cred	164	—3
Elkem	155	—1.5
Kvaerner	210	—1
Norsk Data	440	+8
Norsk Hydro	115	+3
Storebrand	238	—4.5

SPAIN

Feb. 11	Price Pts%	+ or —
Bco Bilbao	318	......
Bco Central	320	......
Bco Exterior	200	......
Bco Hispano	161	—1
Bco Popular	369	+9
Bco Santander	330	......
Dragados	175	+2
Hidrola	91.7	+1.5
Iberduero	103.5	+0.8
Petroleos	165	......
Telefonica	131.2	+6.2

SWEDEN

Feb. 11	Price Kronor	+ or —
AGA	373	+1
Alfa-Laval	200	+8
ASEA (Free)	360	—10
Astra (Free)	425	+5
Atlas Copco	118	+5
Cardo (Free)	275	......
Cellulosa	131	+2
Electrolux B	317	+8
Ericsson	293	—2
Esselte	325	+5
Mo Och Domsjo	270	—1
Pharmacia	215	—4
Saab Scania Free	445	—5
Sandvik	390	+2
Skandia	502	—1
Skan Enskilda	65	—0.5
SKF	199	+1
St Kopparberg	161	—2
Sven Handlesbn.	179	......
Swedish Match	243	......
Volvo B (Free)	294	—4

SWITZERLAND

Feb. 11	Price Frs.	+ or —
Alusuisse	858	+3
Bank Leu	3,750	—40
Brown Boveri	1,574	+5
Ciba Geigy	2,865	+15
do. (Part Certs)	2,265	+5
Credit Suisse	2,420	+10
Elektrowatt	2,720	—15
Fischer (Geo.)	725	+626
Hoff-RochePtCts	97,000	+25
Hoff-Roche 1/10	9,650	+25
Jacobs Suchard	6,375	—30
Jelmoli	1,950	+10
Landis & Gyr	1,670	—85
Nestle	6,360	—40
Oer-Buehrle	1,470	......
Pirelli	288	—3
Sandoz (Br)	8,100	......
Sandoz (PtCts)	1,353	—5
Schindler (PtCts)	745	—5
Sika	1,060	—20
Surveillance	4,155	—135
Swissair	1,100	+10
Swiss Bank	371	—1
Swiss Reinsce	9,175	+25
Swiss Volksbk	1,505	—15
Union Bank	3,680	......
Winterthur	3,690	—30
Zurich Ins	20,225	+25

AUSTRALIA

Feb. 11	Price Aust $.	+ or —
ANZ Group	4.65	—0.1
Alliance Oil Dev.	1.07	+0.02
Ampol Pet.	1.76	—0.02
Ashton	0.77	—0.02
Aust Cons Ind.	1.91	+0.01
Aust. Guarantee.	2.62	+0.02
Aust. Nat. Inds	2.55	—0.07
Aust. Paper	3.5	......
Bell Group	5.20	......
Bell-Res.	4.65	+0.05
Bond Corp Hldgs	1.27	+0.02
Boral	3.32	—0.01
Bougainville	1.85	—0.01
Brambles Inds.	3.71	......
Bridge Oil	2.17	—0.03
B.H. Prop.	6.14	—0.04
CRA	5.14	—0.06
CSR	2.68	—0.02
Carlton Utd	4.30	......
Castlemaine Tys.	4.72	......
Coles (G.J.)	4.05	......
Comalco "A"	2.39	—0.01
Consolidated Pet	0.5	......
Costain Aust	1.3	......
Dunlop Aust.	2.21	+0.05
Elders IXL	3.05	—0.01
Energ Res.	1.44	+0.01

AUSTRALIA (continued)

Feb. 11	Price Aust. $	+ or —
Gen Prop Trust	2.16	—0.04
Hardie (James)	3	......
Hartogen Energy	2.29	+0.03
Herald W'yTimes	4.02	......
ICI Aust.	2	+0.04
Jimberlana F.P.	0.3	......
Kia Ora Gold	0.13	+0.01
Lend Lease	6.74	+0.04
MIM	2.5	—0.06
Mayne Nickless	3.19	+0.01
Myer Emporium	1.91	—0.05
Nat. Aust. Bank	3.63	+0.01
News	12.4	—0.1
Nicholas Kiwi	1.86	......
North Bkn Hill	2.13	+0.02
Oakbridge	0.63	—0.01
Pancont'l	1.04	—0.01
Pioneer Conc.	1.65	—0.02
Poseidon	2.6	—0.2
Queensland Coal	1.26	—0.09
Reckitt & Coln.	3.25	+0.05
Repco	1.15	......
Santos	5.3	—0.04
Smith (Howard)	3.7	—0.05
Thos. Natwide	2.05	—0.05
Tooth	5.9	......
Vamgas	3.4	—0.05
Western Mining	3.1	—0.1
Westpac Bank	3.5	......
Woodside Petrol.	0.85	—0.01
Woolworths	3.2	—0.2
Wormald Intl	3.32	+0.02

HONG KONG

Feb. 11	Price H.K.$	+ or —
Bank East Asia	24.4	......
Cheung Kong	13.7	+0.2
China Light	14.7	......
Evergo	1.6	+0.05
Hang Seng Bank	47	+0.75
HK Electric	7.75	+0.05
HK Kowloon Wh.	6.1	......
HK Land	4.57	......
HK Shanghai Bk.	8.8	+0.15
HK Telephone	60.5	+1
Hutchison Wpa.	20.2	+0.3
Jardine Math.	8.3	—0.2
New World Dev.	5.55	+0.05
Orient O'seas	2.6	+0.05
Oseas Trust Bk.	2.7	......
SHK Props	9.15	+0.25
Shell Elect.	1.95	......
Swire Pac A.	24.4	+0.1
TV—B	6.	+0.25
Wheel'k Mard A.	4.65	+0.1
Wheel'k M'time.	1.1	......
World Int. Hldgs.	1.96	......

JAPAN

Feb. 8	Price Yen	+ or —
Ajinomoto	1,080	+10
Alps Electric	2,060	—20
Amada	1,150	......
Asahi Chem.	589	+18
Asahi Glass	866	+5
Bridgestone	525	+2
Canon	1,380	+10
Casio Comp.	1,810	+20
Chugai Pharm.	1,050	+10
Citizen	568	—2
Daiei	650	......
Dai Nippon Ptg.	935	+10
Daiwa House	535	—32
Ebara	344	—5
Eisai	1,680	—10
Fanuc	11,220	+240
Fuji Bank	1,320	......
Fuji Film	1,730	—60
Fujisawa	1,120	+30
Fujitsu	1,320	—20
Green Cross	1,920	+20
Hasegawa	360	......
Heiwa Real Est.	605	......
Hitachi	868	+8
Hitachi Credit	1,060	—40
Honda	1,410	—20
House Food	660	......
Hoya	2,140	+30
Itoh (C)	335	+2
Ito. Yokado	2,530	—20
Iwatsu	3,360	+20
JACCS	325	......
JAL	5,190	—140
Jusco	730	+5
Kajima	270	......
Kao Soap	815	—7
Kashiyama	606	—3
Kirin	568	—2
Kokuyo	910	—1
Komatsu	450	—5
Konishiroku	707	—8
Kubota	325	+5
Kumagai	620	+2
Kyoto Ceramic	6,700	—80
Maeda Const.	464	—6
Muskino Milling	1,300	......
Myakita	1,230	+10
Marubeni	401	—3
Marudai	647	......
Marui	995	—5
MEI	1,590	+20
M'ta Elec Works	648	—2
M'bishi Bank	1,400	+10
M'bishi	523	+1
M'bishi Elec	395	—1
M'bishi Estate	650	—8

JAPAN (continued)

Feb. 8	Price Yen	+ or —
MHI	242	+2
Mitsui Co.	328	—1
Mitsui Estate	624	+1
Mitsukoshi	417	+22
NGK Insulators	525	—14
Nihon Cement	221	......
Nippon Denso	1,350	+30
Nippon Elect.	1,170	—20
Nippon Express	350	—6
Nippon Gakki	2,190	......
Nippon Kokan	153	......
Nippon Oil	833	+4
Nippon Seiko	625	—6
Nippon Shimpan	530	—10
Nippon Steel	147	+1
Nippon Suisan	335	—1
NTV	12,000	+40
Nippon Yusen	240	......
Nissan Motor	505	—3
Nisshin Flour	489	+9
Nisshin Steel	169	......
Nomura	892	+7
Olympus	1,250	—10
Orient Leasing	2,900	—100
Pioneer	3,120	—80
Ranown	665	—5
Ricoh	890	—10
Sankyo	1,160	+40
Sanyo Elect.	490	+16
Sapporo	405	+5
Sekisui Prefab	587	......
Seven-Eleven	8,850	+2
Sharp	1,080	......
Shimadzu	791	—18
Shionogi	712	+2
Shiseido	1,060	—10
Sony	4,150	+20
Stanley	800	+17
S'tomo Bank	1,660	+10
S'tomo Elect.	903	—6
S'tomo Marine	566	—2
S'tomo Metal	146	+1
Taihei Dengyo	466	—4
Taisei Corp.	198	—1
Taisho Pharm.	1,140	—10
Takeda	815	+50
TDK	5,610	—10
Teijin	439	—1
Teikoku	635	—5
Tokyo Marine	710	+3
TBS	826	—7
Tokyo Elect Pwr	1,490	+2
Tokyo Gas	162	......
Tokyo Sanyo	694	—6
Tokyo Style	745	+5
Tokyu Corp.	315	—8
Toppan Print	848	......
Toray	436	—6
Toshiba Elect.	415	—10
TOTO	625	......
Toyo Seikan	870	—5
Toyota Motor	1,280	—10
Victor	2,140	+10
Wacoal	720	+3
Yamaha	740	—16
Yamanouchi	4,360	+290
Yamazaki	627	—7
Yasuda Fire	362	+9
Yokogawa Bdge.	422	......

SINGAPORE

Feb. 11	Price $	+ or —
Boustead Hldgs.	1.7	—0.02
Cold Storage	2.58	—0.05
DBS	5.9xa	—0.1
Genting	6.4	—0.1
Haw Par. Bros.	2.86	—0.07
Hong Leong Fin	3.26	—0.02
Inchcape Bhd.	2.61	—0.06
Keppel Shipyard	1.69	—0.02
Malay Banking	5.95	—0.05
Malay Utd. Ind.	2.29	......
Multi Purpose	0.9	—0.02
OCBC	9.2	—0.05
OUB	3.96	......
Public Bank	1.64	—0.04
Sime Darby	1.9	—0.04
Singapore Press	6.5	......
Straits Trdg.	4.54	—0.04
Tat Lee Bk.	2.76	—0.02
UOB	4.46	+0.04

SOUTH AFRICA

Feb. 11	Price Rand	+ or —
Abercom	1.3	......
AE&CI	7.15	......
Allied Tech	46.5	......
Anglo Am Coal	44	......
Anglo Am Corp	23.25	—0.5
Anglo Am Gold	150	—5
Barclays Bank	15.45	+0.2
Barlow Rand	9.75	—0.05
Buffels	62.5	—2
CNA Gallo	2.1	......
Currie Finance	3.35	......
De Beers	8.55	—0.1
Driefontein	45.25	—1.25
FS Geduld	40.5	—2.25
Gold Fields SA	88	—2.5
Highveld Steel	3.95	—0.05
Nedbank	9.75	—0.2
OK Bazaars	13.75	......
Protea Hldgs.	1.35	+0.05
Rembrandt	30.5	+0.5
Rust Plat	15.6	—0.5
Safren	12	......
Sage Hldgs	6.65	......
SA Brews	5.95	—0.05
Smith (CG)	19	......
Tongaat Hulett	6	—0.2
Unisec	4.6	......

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

[illegible]

Continued on Page 40

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES		
BICC	257	+7
Babcock Int	145	+7
Bassett Foods	193	+10
BP	558	+13
Debenhams	221	+7
Diamond Stylus	42	+7
Dunlop	46	+3½
FII	228	+21
Foster Bros	138	+10
Futura	200	+27
Great Western	285	+25
Jaguar	357xd	+21½
Milford Docks	82	+7
Oliver Pros	80	+20
Osceola Hydro	155	+35
Our Price	378	+10
Pearson	693	+23
Priest, Marians	805	+55
RTZ	685	+15
Sun (UK) Royal	120	+20
TI	250	+16
TSL Thermal	210	+55
Trafalgar Hse	384	+11
FALLS		
Exch 11pc 1989	£95[illegible]	—1[illegible]
Exch 15pc 1997	£123½	—1¼
Gates (Frank G.)	70	—8
Nott. Manufg.	215	—31
Towles A	84	—12
Standard Chart	508	—17
STC	234	—10

CANADA

TORONTO
Prices at 2.30pm
February 11

[illegible]

We regret Montreal prices were not available for this edition, due to a communication failure.

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 31

[illegible]

NEW YORK PRICES

Continued from Page 31

[illegible]

MARKET REPORT

Renewed sterling worries lower Gilts but arouse demand for UK exporting groups

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Jan 28	Feb 7	Feb 8	Feb 18
Feb 11	Feb 21	Feb 22	Mar 4
Feb 25	Mar 7	Mar 8	Mar 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Gilt-edged securities wilted in London yesterday as investors became concerned about the effects of the continued one-way traffic in the dollar. Sterling and other leading currencies fell to new lows and wholesale credit rates rose, exerting pressure on the current 14 per cent level of bank base rates; the three months interbank rate closed at 13⅞ per cent.

More favourable U.S. bond market trends on Friday failed to soothe investors' fears, which were reflected in a fair volume of selling. Domestic institutional and overseas operators showed a marked reluctance to commit fresh funds after last Thursday's buying spree, leaving the way clear for sellers throughout the session.

Price recoveries, instigated by bear-covering purchases, failed to last and the market became very edgy late in the afternoon when the exchange rate dropped below $1.10 against the dollar. During the after-hours' trade, quotations steadied but both short and longer maturities closed with falls extending to 1¼ points and at the day's lowest. Index-linked Gilts were more stable, being helped by occasional hedging business.

Equities were initially vulnerable to sterling and other adverse influences. Rising crude oil prices, however, aroused demand for leading oil stocks on thoughts of increased offtake owing to the extremely cold weather, and the downturn was halted. A little later buyers began appearing for export-orientated concerns and other groups that should benefit from the fall in the exchange rate.

Talk of American support increased, embracing such stocks as British Telecom, Imperial Group, Trafalgar House and Jaguar. The recovery in values continued after the official house close, to leave the FT Ordinary share index a net 2.6 up at 991.1: it had started the day 6.5 lower, partially reflecting weekend reports that scope for taxation cuts in next month's Budget had diminished.

Standard retreat

Adverse comment in the wake of Citicorp's decision to eliminate its public-sector loans to South Africa by the end of next month, affected banks with substantial interests in that country. Standard Chartered were particularly vulnerable and retreated to 502p before closing a net 17 down on balance at 508p, while Barclays were also sold and closed 13 lower at 632p, after 625p. Elsewhere, NatWest, which start the clearing bank dividend season on March 5, hardened a couple of pence to 690p, but Midland gave up 4 at 343p. Royal Bank of Scotland reacted from recent strength; in ex rights form, the shares closed 10 down at 250p, while the new nil-paid slipped from 48p and closed at 38p premium. Merchant banks began the week on an easier note. Hill Samuel lost 8 at 335p and Hambros softened 6 at 172p.

In Buildings, George Dew gained 4 to 72p, after 76p, following better-than-expected annual results, while McCarthy and Stone moved up 15 to 245p awaiting news from the annual meeting. Attwoods, still responding to a progress report on U.S. expansion, firmed 4 afresh to 98p. Milbury rose 6 to 90p ahead of Thursday's half-timer. British Dredging closed a penny dearer at 66p, after 67p, on rumours that a sizeable stake had changed hands.

ICI were a relatively quiet market and fluctuated narrowly prior to closing 3 dearer on balance at 883p. Among other Chemicals, Croda International firmed 4 to 149p following Press comment, while Scottish Agricultural Industries moved up 8 to 320p ahead of Thursday's annual results.

Debenhams below best

The downward trend of retail sales—the provisional figure for January showed a decline of 3.8 to 112.6 — found leading Retailers in a generally resilient mood. Prices rarely eased by more than a few pence as in Burton, 444p, Woolworth 603p, and British Home, 256p. Debenhams, buoyant of late on persistent takeover speculation, bucked the trend and attained a new 1984-85 peak of 228p before settling a net 7 up at 221p.

A number of noteworthy features emerged among second-line Stores. Our Price improved 10 to 378p following the increased first-half profits and maiden interim dividend, while Heelamat hardened 3 to 88p, also after mid-term results. Favourable Press mention resulted in gains for Moss Bros, 14 higher at 322p, and Ward White, 3 up at 224p: talk that the latter could be preparing a takeover assault lifted Foster Brothers Clothing 10 to 138p. WW, dull since recent bid talks collapsed, rallied 10 to 195p, while Selincourt improved a couple of pence to 22p. In contrast, Body Shop encountered profit-taking and closed 50 lower at 625p, after 618p.

Among footwear counters, FII attracted fresh speculative support and spurted 21 to 228p, while Futura, despite denying any knowledge of bid activity, rose 27 to 200p, after 205p.

Vague rumours of a rights issue brought selling pressure to bear on Standard Telephones and Cables which fell to 232p before closing 10 down on balance at 234p. Cable and Wireless cheapened 7 to 525p following cautious reports emanating from an investment seminar in Hong Kong. Thorn EMI, strongly supported last week on consortium bid speculation, declined 4 to 450p, but Racal rallied that much to 196p. BICC atracted renewed demand which continued later-hours and left the price 7 up at 257p, while British Telecom revived 2½ to 128p, after 129p. Secondary Electricals featured Electrocomponents, 15 down at 290p, with sentiment still soured by recent cautious comment on the industry. Bowthorpe dropped 10 to 445p and International Signal and Control 15 to 270p. Dale, on the other hand, improved a few pence to 79p in anticipation of Thursday's interim figures. System Designers recorded a rise of 25 to 645p.

TI remained the centre of attraction in Engineerings following weekend Press suggestions of bid possibilities and moved steadily ahead to close 16 up at the day's best of 250p. Hawker, reflecting its overseas earnings potential, rose 8 to 435p, while Babcock improved 7 to 145p. Carclo advanced 7 to 145p on the proposed sale of a subsidiary for £3.5m, while the half-year profits recovery left Manganese Bronze 5 to the good at 58p. Planet Group came to life with a rise of 8 to 80p and Westland rallied 5 to 111p after recent weakness on worries about future helicopter orders.

Among Food Retailers, Argyll lost 7 to 273p and J. Sainsbury softened 4 to 312p, but Albert Fisher attracted further buying interest and firmed 4 more to 128p. Elsewhere, Bassett gained 10 to 193p as bid rumours resurfaced, while Meadow Farm rose the same amount to 380p on Press suggestions of a major deal with Marks and Spencer. Share-split rumours accompanied demand for Hazlewoods, up ¼ more at £11½. Renwed support lifted Avana 10½ to 625p xd and British Vending Industries 3 to 57p.

Traf. House improve

Easier initially, most leading miscellaneous industrials edged higher later to close with small gains on balance. Trafalgar House were noteworthy for a rise of 11 to 384p along with Metal Box, which closed 10 to the good at 420p. Elsewhere, a further re-rating after the sharp interim profits recovery left TSL Thermal Syndicate up 55 more at 210p. Late support lifted Pearson 23 to a fresh 1984-1985 peak of 693p, while Manchester Ship Canal advanced 20 to 275p in response to the preliminary figures. Diamond Stylus responded to news of the 22.6 per cent stake acquired by Mr A. I. Wilkes with a jump of 7 to 42p. Lep Group, up 5 more at 275p, reflected weekend Press mention along with Holt Lloyd, which rose 4 to 92p. Christies International encountered fresh demand and put on 8 more to 526p, while further support was forthcoming for Redfearn Glass, 6 higher at 90p. Booker McConnell, a few pence easier at 259p, were again briskly traded awaiting the possibility of a fresh bid from Dee Corporation. Burco Dean, a good market since last week's move to sell its kitchen furniture interests, improved 4 more to 24p, but Dalgety eased 7 to 483p despite announcing interim figures in line with expectations.

Horizon Travel, a rising market last week on Press suggestions of a bid from Rank Organisation, gave up 8 to 140p in the absence of any developments. Among other Leisure issues, Barr and Wallace Arnold Trust A found support and firmed 4 to 101p.

Buoyant last week following bullish notices emanating from a number of brokers' meetings, Jaguar remained lively and advanced 21½ to 357p xd amid reports, later denied by Jaguar, that General Motors is currently building a stake. Elsewhere in Motor sectors, Dunlop attracted renewed support and improved 3½ to 46p reflecting hopes of an increased offer from BTR, or of an approach from a third party. In Distributors, Frank G. Gates dipped 8 for a two-day fall of 18 at 70p as the bid from Carroll Motor lapsed.

Significant movements in Properties were few, but Marler Estates attracted revived demand and rose 7 to 155p. Espley Trust put on 2 to 15p on small buying, while Edmond Holdings added 1½ to 13p. Sharply increased profits over the 10-month period lifted Priest Marians 55 to 805p in a restricted market.

In Shippings, Milford Docks, still excited by the near-30 per cent stake taken by a consortium headed by the Marquis of Milford Haven, advanced 7 to 82p.

Sentiment in Textiles received a sharp jolt from Nottingham Manufacturing's preliminary profits, which were some £6m below most market estimates, and brought a slump in the share price of 31 to 215p. Friday's speculative high-flier, Towles A were marked 12 lower to 64p in belated response to the chairman's attempts to diffuse the situation, but David Dixon rose another 7 to 175p.

Oils sharply higher

Oils provided a host of firm features. The major issues rose strongly, reflecting the latest wave of bad weather throughout much of Europe which prompted sharp gains in crude oil prices on spot markets. Although not always holding their best levels, the leaders posted gains which ran into double figures with BP and Shell up 13 apiece at 558p and 758p respectively. Royal Dutch settled ¼ firmer at a year's high of £49, while LASMO, aided by favourable Press comment moved up 10 to 355p. Secondary issues attracted substantial interest, specially Great Western Resources which jumped 25 to 285p, after 290p, following news of an oil discovery in Texas and the revelation that the Kuwait Investment Office now holds an interest in excess of 628,000 Great Western shares. Falcon continued their recent surge and touched 494p prior to settling a net 5 up at 480p, while ERIC put on 15 to 200p. Sun (UK) Royalty sprang to life and jumped 20 to 120p, after 125p, on exploration hopes, while talk of an increased bid boosted Petrolex 5 to 68p. Irish exploration stocks revived strongly. Osceola Hydrocarbons put on 35 to 155p, after 160p, Oliver Prospecting jumped 20 to 80p, after 82p, Eglinton rose 10 to 65p and Bryson Oil and Gas 9 to 109p. Elsewhere, Northwest Oil and Gas added 5 at 30p, after 35p, helped by Press comment.

The latest rise in the dollar against sterling and the South African Rand prompted renewed weakness throughout South African sectors of mining markets. Bullion remained firmly in its recent trading range and hovered around the $300 an ounce level before closing a net 75 cents up at $300.

The late downward pressure on the rand on Friday evening led to a sharp mark down of South African gold and related issues at the outset. Thereafter, pressure on the South African currency increased and share prices wilted further before staging a modest rally during the late afternoon. The Gold Mines index consequently fell a further 13.7 to 470.8 — a decline of 26.3 over the past two trading days

Adverse comment on the proposed merger of Anglo American's Orange Free State gold mines upset sentiment in President Brand, which lost £1½ to £20¼, and President Steyn, £1½ off at £24½.

South African Financials suffered along with Golds, but the UK-domiciled issues provided a firm feature in Rio Tinto-Zinc which advanced strongly to close 15 higher at 685p

Australians attracted persistent selling in overnight Sydney and Melbourne markets and opened sharply lower in London. Thereafter, business fell to minimal levels and the leaders closed at around the day's lowest. Golds showed widespread losses with Poseidon 10 down at 181p, Gold Mines of Kalgoorlie 5 off at a 1984-85 low of 345p and North Kalgurli 2 lower at a year's low of 29p.

Traded Options began the week on a lively note with 12,087 contracts struck. Imperial Group, due to announce interim figures on Thursday, attracted 2,052 calls, the February 200's and 220's accounting for 527 and 545 trades respectively; Imps also recorded 1,047 puts, 529 in the May 230's. British Telecom contributed 2,178 calls, while Jaguar attracted 998 calls and 109 puts.

FINANCIAL TIMES STOCK INDICES

	Feb. 11	Feb. 8	Feb. 7	Feb. 6	Feb. 5	Feb. 4	year ago
Government Secs....	79.36	80.04	80.24	79.58	79.63	79.27	82.60
Fixed Interest..........	83.60	84.04	83.86	83.61	83.50	83.10	86.81
Ordinary..................	991.1	988.5	989.2	983.3	982.4	968.3	805.0
Gold Mines..............	470.8	484.5	497.1	487.8	474.3	473.3	589.9
Ord. Div. Yield	4.34	4.36	4.36	4.37	4.39	4.46	4.52
Earnings, Yld.% (full)	10.83	10.89	10.89	10.92	10.97	11.15	9.64
P/E Ratio (net) (*).....	11.09	11.04	11.05	11.00	10.98	10.77	12.84
Total bargains (Est.)	25,089	25,358	24,990	23,713	24,606	24,706	25,878
Equity turnover £m.	—	495.58	435.24	379.12	379.94	256.34	214.07
Equity bargains......	—	26,704	29,669	21,388	20,980	20,779	22,539
Shares traded (ml)...	—	277.4	218.8	182.3	190.2	129.8	141.4

10 am 982.0. 11 am 982.7. Noon 984.0. 1 pm 985.8.
2 pm 988.5. 3 pm 988.5.

Basis 100 Govt. Secs. 15/1/28. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.
Nil = 10.73.

HIGHS AND LOWS / S.E. ACTIVITY

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low		Feb. 8	Feb. 7
Govt. Sec..	83.77 (9/1/84)	75.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains....	152.7	158.3
Fixed Int....	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains....	173.0	146.9
Ordinary....	1024.5 (22/1/85)	755.3 (25/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)	Value	1001.7	879.7
Gold Mines	711.7 (9/3/84)	439.5 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)	5day Average Gilt Edged Bargains....	150.7	151.1
					Equities Bargains....	145.8	136.8
					Value	790.8	710.5

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Mon Feb 11 1985 — Fri Feb 8 — Thur Feb 7 — Wed Feb 6 — Tues Feb 5 — Year ago (approx.)

FIXED INTEREST

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	98	7
Corpns. Dom. & Foreign Bonds ...	6	32	36
Industrials	384	285	765
Financial & Props.	133	93	319
Oils	42	14	67
Plantations	1	7	9
Mines	17	89	73
Others	103	40	51
Totals	686	668	1,327

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (179)

AMERICANS (39)
CANADIANS (1)
BANKS (4)
BREWERS (1)
BUILDINGS (5)
CHEMICALS (4)
STORES (8)
ELECTRICALS (7)
ENGINEERING (10)
FOODS (11)
INDUSTRIALS (29)
INSURANCE (5)
LEISURE (1)
MOTORS (2)
NEWSPAPERS (2)
PAPER (4)
PROPERTY (5)
SHIPPING (1)
TEXTILES (4)
TOBACCOS (1)
TRUSTS (33)
OILS (2)
OVERSEAS TRADERS (1)

NEW LOWS (22)

BUILDINGS (1)
Tay Homes
ELECTRICALS (4)
Feedback — STC
Pressac — Systems Reliability
INDUSTRIALS (5)
Anglo-African Fin. — Midland Marts
CSR — PCT
Ecobric Defd.
LEISURE (1)
Entertainment Prod.
MOTORS (1)
Aerospace Eng'g
OILS (1)
Southwest Resources
MINES (9)
Welkom — GM Kalgoorlie
Asia Oil & Mins. — Metana Minerals
Cultus Pacific — North Kalgurli
Eagle Corp. — Whim Creek
Gem Explrtn. Mng.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 23,765.
A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

... capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully paid. ‖‖ Introduction. ✻ Unlisted Securities Market. § Placing price ‡ Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 per cent Cnv.Uns.Ln. stk. and one Warrant.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 4	Feb 15	May 9	May 20
Feb 18	Mar 1	May 30	June 10
Mar 4	Mar 15	June 13	June 24

For rate indications see end of Share-Information Service

Active conditions again prevailed in options with calls struck in Atlantic Resources, Waterford Glass, Eglinton Oil and Gas, Camford Engineering, Belhaven, Associated British Ports, Debenhams, Aran Energy, Alfred Walker, "The Times" Veneer, A.B. Electronics, Barratt Developments, Amstrad Consumer Electronics, Foster Brothers Clothing, Quest Automation, Amber Industrial, Pentos, New Court Natural Resources, Jaguar, Arthur Henriques, Steinberg, United Biscuits, Marks and Spencer, Jardin Matheson, Kwik-Fit and Armstrong Equipment. A put was taken out in Dunlop, while a double was struck in Silvermines.

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Falcon Res ...	58	475	+32
Booker MConll	45	261	+ 2
Jaguar	33	340	+18
TSL Th'mal Sd	28	165	+39
TI	22	234	+ 6
Dunlop	21	42½	+ 5½
Plessey	20	170	− 2
Barclays	19	645	+ 2
Debenhams ...	19	214	− 3
Racal Elects ...	19	192	− 2
Selincourt ...	18	20½	+ 2
GKN	17	196	− 6
ICI	17	860	− 3
Thorn EMI......	17	454	+ 4

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Babcock Int	145	+ 7
Booker McConnell	259	− 2
BP	558	+13
British Telecom	128	+ 2½
Falcon Resources	480	+ 5
Great Western Res......	285	+25
ICI	863	+ 3
Imperial Group	218	+ 3
Jaguar	357xd	+21½
Notts Mnfg	215	−31
RTZ	685	+15
TI	250	+16

LONDON TRADED OPTIONS

Option		Feb. Calls	May Calls	Aug. Calls	Feb. Puts	May Puts	Aug. Puts
Imperial Gp. (*220)	160	60	60	65	1	3	4
	180	40	40	47	1½	5	7
	200	19	27	32	2	9	12
	220	7	17	22	10	21	24

Option		Apr. Calls	Jly. Calls	Oct. Calls	Apr. Puts
B.P. (*565)	420	148	—	—	2
	460	108	118	125	4
	500	68	80	87	6

Feb. 11 Total contracts, 12,087. Calls 9,176. Puts 2,911.
* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102¾	99⅞	Exch. 12pc Cnv. '85	99¾	.....	12.03	14.33
97¼	93¾	Treas 3pc 1985	97½	−⅛	3.08	12.59
102¾	99¼	Treas 11½pc 1985	99⅜	−⅛	11.57	12.91
99¼	96⅞	Treas 8¾pcCnv '85	97⅞xd	−⅛	8.99	12.71
104⅞	99½	Exch. 12¼pc 1985	99⅞	−⅛	12.27	12.31
103⅝	99⅛	Exch. 11¾pc '86	99⅛xd	−½	11.82	12.37
102⅞	96⅛	Treas. 10pcCnv 1986	97⅛	−⅛	10.26	12.39
93¼	88¼	Treas 3pc 1986	93¼	−¼	3.22	8.75
102	96¼	Exch. 10½pc Cv '86	97⅞	−⅛	10.73	12.32
104⅞	99⅛	Treas 12pc 1986	99½	−⅛	12.06	11.86
98¼	93½	Treas 8½pc 1984-86‡‡	95⅝	−⅛	8.87	11.81
108⅝	102⅞	Exch. 14pc 1986	102¾	−⅛	13.63	12.11
89⅝	85	Exch. 2½pc 1986	88¼	−½	2.84	9.87
107⅝	100⅝	Exch. 13¼pc 1987	101⅝	−¼	13.00	12.08
100¾	94½	Treas 10¼pcCv '87	96⅝xd	−⅛	10.58	12.05
87¾	83½	Exch 2½pc 1987	86½xd	−⅛	2.90	10.09
101⅛	94½	Exch. 10½pc 1987	96⅝	−¼	10.84	12.13
92¾	87	Funding 6½pc '85-87‡‡	90	−⅛	7.23	11.74
99⅝	92¾	Treas. 10pc 1987	95⅞	−⅛	10.43	12.05
86⅝	81⅞	Treas 3pc 1987	85¼	−⅛	3.52	10.02
105	97¼	Treas. 12pc 1987	99⅞	−¼	12.02	12.03
94⅞	87⅞	Treas 7¾pc 1985-88‡‡	91	−⅛	8.52	11.41
100¼	92⅝	Exch 10½pc '88	95⅝	−⅛	10.96	12.08
98⅝	89⅞	Treas 9¼pc Cv '88	93⅝	−⅛	10.40	12.04
82⅞	77	Transport 3pc '78-88	81¼	−⅛	3.70	9.62
96⅝	88⅞	Treas. 9½pc '88	92¼	−1⅛	10.30	12.13
106¼	94⅝	Treas 11½pc 1989	98½xd	−1¼	11.68	11.99
96⅝	87⅝	Treas 9½pc Cm. '89	91⅞	−1⅛	10.38	12.11
99⅝	90⅝	Treas 10½pc 1989	94¼	−1¼	11.09	12.09
100⅞	88⅞	Exch.10pc 1989	92⅞	−1⅛	10.77	12.13
101⅛	94¼	Exch 11pc 1989	95[illegible]	−1⅛	11.48	12.17
85¼	77½	Treas 5pc 1986-89	80	−⅛	6.25	10.52
114¼	100¼	Treas 13pc 1990‡‡	103⅞	−1⅛	12.52	11.91
—	—	Exch 11pc '90 (£20pd)#	£97½	.....	11.28	11.70

Five to Fifteen Years

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
110⅞	100¾	Exch. 12½pc 1990	106¼	−⅞	12.27	12.00
94⅛	84⅞	Treas 8¼pc 1987-90‡‡	89⅝	−⅝	9.34	11.21
98⅝	90⅝	Treas. 10pcCv 1990	94¼	−¼	10.90	12.02
108¼	94¼	Treas 11¾pc 1991	99¾	−¼	11.91	12.05
84¼	75⅝	Funding 5¾pc '87-91‡‡	81⅞	−⅞	7.23	10.31
105¾	93⅞	Exch. 11pc 1991	98¼	−⅞	11.53	11.99
113¼	98⅞	Treas 12¾pc 1992‡‡	104	−1	12.35	12.03
100⅝	86	Treas 10pc 1992	91xd	−⅞	10.96	11.87
101	94⅛	Treas 10½pc Cv 1992‡‡	97⅝	−⅞	11.26	11.89
111¼	95¼	Exch. 12¼pc '92	100½xd	−1	12.14	12.07
117½	106¼	Exch 13½pc 1992	111⅝	−⅞	12.70	12.18
113⅝	98¼	Treas 12½pc 1993‡‡	103¼	−⅞	12.21	12.04
79¼	71¼	Funding 6pc 1993‡‡	75xd	−⅝	7.95	10.38
121¼	106¼	Treas 13¾pc 1993‡‡	111¼	−1¼	12.65	12.10
126¾	108¼	Treas 14½pc 1994‡‡	113¼xd	−1¼	12.73	11.97
120⅝	106	Exch 13½pc 1994	111½	−1	12.56	12.11
114¼	96¼	Exch. 12½pc 1994	102¼xd	−1¼	12.18	12.05
94½	82⅞	Treas 9pc 1994‡‡	88¼	−⅞	10.47	11.41
110⅝	94⅞	Treas 12pc 1995	100¾	−1	12.09	12.03
64⅞	58¼	Gas 3pc '90-95	64½	−⅛	4.71	8.36
100¼	86	Exch. 10¼pc 1995	91¼	−1	11.31	11.83
117⅞	102⅝	Treas 12¾pc 1995‡‡	108¼	−1¼	12.13	11.88
124¼	106⅞	Treas. 14pc '96	112¼	−1¼	12.56	12.08
94⅝	83½	Treas 9pc 1992-96‡‡	84¼xd	−⅞	10.52	11.33
134⅞	118¼	Treas 15¼pc 1996‡‡	123⅞	−1¼	12.74	12.01
122⅛	106½	Exch 13¼pc 1996‡‡	112	−1¼	12.18	11.81
70¼	63¼	Redemption 3pc 1986-96	70½	−¼	4.32	6.85
121⅛	104½	Treas 13¼pc 1997‡‡	110	−1¼	12.13	11.78
104½	87⅞	Exch 10½pc 1997	92½xd	−1	11.33	11.65
92½	77½	Treas 8¾pc 1997‡‡	82½xd	−¼	10.57	11.35
134⅝	118¼	Exch. 15pc 1997	123¼	−1¼	12.66	12.02
98¼	84½	Exch. 9¾pc 1998	89¼	−1¼	11.00	11.45
94⅞	88⅝	Exch. 9¾pc 1998 'A'	90¼	−1¼	11.01	11.45
78	68	Treas 6¾pc 1995-98‡‡	72½	−⅞	9.56	11.02
138⅝	123⅞	Treas. 15½pc '98‡‡	130¼	−1	12.46	11.84
115	100¼	Exch. 12pc 1998	105⅞	−1	11.69	11.60
97¼	83⅞	Treas 9½pc 1999‡‡	88¼	−¼	10.84	11.28
116¼	104	Exch. 12¼pc 1999	109⅞	−1	11.70	11.56
104½	91	Treas. 10½pc 1999	96⅝	−1	11.21	11.41
102½	89¼	Convers'n 10¼pc 1999	94⅝	−1	11.15	11.37

Over Fifteen Years

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
123¼	106⅞	Treas. 13pc 2000	111¼	−1	11.74	11.50
128½	112⅞	Treas. 14pc '98-01	118	−1	12.19	11.76
114⅞	98⅝	Exch. 12pc '99-02	104¼	−1	11.59	11.47
100⅝	90	Conv. 10pc 2002	95⅝	−¼	10.84	11.01
128¼	110¼	Treas. 13¾pc 2000-03	116⅝	−1¼	11.86	11.52
114⅞	101½	Treas. 11½pc 2001-04	101⅝xd	−⅞	11.19	11.14
51¼	43¼	Funding 3½pc '99-04	47¼	−¼	7.45	9.56
41½	37⅝	Exch. 10½pc 2005(£40pd)	40	−1⅛	10.64	10.78
123⅝	107¾	Treas. 12½pc 2003-05	113¼	−1	11.27	11.09

Undated

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FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
64	43	Magnolia Group	46		2.5	3.2	7.8	4.5
64	28	‡Manmet Hldgs 10p	42		—	—	—	—
275	157	Man. Ship Can. £1	275	+20	5.5	3.5	2.9	13.9
104	65	Marley	93	−1	†3.2	2.5	4.9	10.5
61½	40	Marling Ind. 10p	61		†d3.0	5.6	3.0	7.2
46	29	Marshall L'xy. 'A'	40		†1.2	3.6	4.3	(7.1)
77	37	Marshall's Universal	70		H1.75	—	3.6	21.1
89	77	Do. 7¾pcCnRedPf £1	82		7¾%	—	13.1	—
30	20	Martin-Black	22#		—	—	—	—
£108	£81	♦Mathesons 7¼%	£81		Q7¼%	2.3	9.7	—
432	287	Metal Box £1	420	+10	†15.0	3.2	5.1	6.8
220	129	Metal Closures	162	−2	6.3	2.3	5.6	(9.0)
27	9	‡Metal Sciences 2½p	10		—	—	—	—
133	80	‡Midland Marts	80	−3	4.0	1.8	7.1	10.1
84½	45	Mitchell Cotts	81½		4.0	1.5	7.0	11.6
196	132	Morgan Crucible	195		†7.5	1.2	5.5	(19.7)
*36	24	‡Morris (W) F.A. 20p	24		3.25	2.0	9.7	7.0
110	80	Moss (Robt.) 10p	99	−1	bq0.5	4.0	3.0	22.8
330	197	‡MW Computers	275		†12.5	2.3	3.6	14.3
65	38	Nash Inds.	40		6.0	3.0	3.1	15.3
47	30	Neil & Spencer 10p	45	−1	2.5	1.5	8.9	9.2
33	13	Newman Industries	22		—	—	—	18.5
31	16½	Do. 10pc Cm.Cv.Pf.	22		—	—	—	Q24.0
67	39	Nolton	54		10%	—	6.5	—
183	132	Norcros	165		d1.1	4.5	2.9	9.1

LEISURE—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
288	182	LWT "A"	260		14.4	2.3	7.9	7.9
75	42	Leisuretime Int 10p	55	−2	2.1	♦	5.6	♦
160	98	Mogul. Ag. M. 10p	156		0.75	1.2	8.0	14.0
184	128	‡Media Tech Int 20p	183		bq2.58	3.9	2.0	18.1
137	76	Medminster 10p	130		4.85	2.6	5.3	8.8
220	138	‡Miss World 10p	215		13.0	3.5	1.9	19.6
26	15	‡Nationwide Leis.	25		0.25	2.8	1.4	33.4
46	9	‡Nimslo Int 20c	24		—	—	—	—
31½	14½	‡Owners Abroad	22½		0.75	6.1	4.8	4.1
66	33	Photax (Lon.)	48		—	—	—	—
29½	20	‡P'dilly Radio NV 5p	23½		1.87	♦	11.4	♦
130	57	‡Pineapple Dnc St 10p	78		d1.9	1.2	3.1	37.6
430	285	Pleasurama 5p	422	+2	hq9.2	4.7	3.1	13.7
17½	10½	‡Pres Entertain 10p	16¼		†2.0	2.0	3.6	21.2
158	40	‡Radio City 'A' NV	45	−3	4.6	0.9	17.8	8.9
70	48	‡Radio Clyde NV	48		3.25	2.0	9.7	7.0
148	30	Riley Leisure 10p	57	+2	†4.2	2.4	‡	4.7
166	94	Saga Hols. 20p	165		†3.75	1.6	3.2	27.6
£10½	111	Samuelson Grp £1	980m	+2½	†9.0	3.6	—	38.0
32	18	‡Sangers Photo 10p	30		d2.0	1.1	9.5	13.6
167	138	‡Scanro 50p	165	+3	bq3.68	2.2	3.2	20.0
190	98	Scott. TV 'A' 10p	156		†8.1	2.9	7.4	7.3
427	186	SeaCo Inc $0.125	418	−7	—	—	—	—
35	10	‡SelecTV 10p	12	+1	—	—	—	—

MOTORS, AIRCRAFT TRADES

Motors and Cycles

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Finance

Australians

Tins

Miscellaneous

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
75	31	♦Anglo Utd. Dev.	43		—	—	—
410	210	♦Centennial Min'ls.	265		—	—	—
175	70	♦Colby Res Corp.	70		—	—	—
955	450	Cons. Murch. 10c	500		†Q100c	1.4	8.9
37	25	‡Ennex Int. Ir10p	34		—	—	—
252	150	Hampton Areas 10p	190		3.75	2.1	2.6
225	140	♦Highwood Res.	170	−10	—	—	—
£24½	£16	Homestake Mining $1	£21¼		Q20c	—	0.8
295	135	♦McFinley Red Lake	210	−5	—	—	—
240	101	♦Mosto Explorations	230	+10	—	—	—
55	23	♦New Sabina Res C$1	25		—	—	—
365	220	Northgate C$1	310	−10	—	—	—
718	500	RTZ	685	+15	†18.0	2.7	3.8
£155½	£113½	Do. 9½pcLn '95-2000	£143½		Q9½%	35.4	6.7
£13	850	♦Tara Exptn $1	£12⅞	−⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim: reduced final and/or reduced earnings indicated
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	92	.....	Arnott	152	.....
Craig & Rose £1	£10	.....	CPI Hldgs	57	.....
Finlay Pkg. 5p	61	.....	Carrol Inds.	96xd	.....
Higsons Brew	118	.....	Dublin Gas	65	.....
Holt (Jos) 25p	840	.....	Hall (R. & H.)	47	.....
IoM Stm. £1	134	.....	Heiton Hldgs.	16	.....
IRISH			Irish Ropes	35	.....
Exch. 12% 1985	£99¼	.....	Jacob (W.& R.)	55	.....
Nat. 9¾% 84/89	£85	.....	TMG	180	.....
Fin. 13% 97/02	£89⅛	.....	Unidare	83	.....

OPTIONS — 3-month call rates

Industrials	p		p		p
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	38	**Property**	
BTR	52	ICI	60		
Babcock	14	'Imps'	18	Brit Land	12
Barclays Bank	48	Jaguar	28	Cap Counties	18
Beecham	32	Ladbroke	24	Land Secs	25
Blue Circle	45	Legal & Gen	50	MEPC	28
Boots	15	Lex Service	28	Peachey	22
Bowaters	28	Lloyds Bank	45	Samuel Props	14
Brit Aerospace	33	Lucas Inds.	25	**Oils**	
Brit. Telecom	11	Marks & Spcr	11		
Brown (J.)	3	Midland Bk	30	Brit. Oil & Min	4
Burton Ord	39	NEI	8	Brit Petroleum	42
Cadburys	14	Nat West Bk	60	Burmah Oil	18
Comm Union	19	P & O Dfd	36	Charterhall	6
Courtaulds	12½	Plessey	17	Premier	5
Debenhams	17½	Polly Peck	26	Shell	60
Distillers	28	Racal Elect	18	Tricentrol	18
Dunlop	6	RHM	11	Ultramar	19
FNFC	8½	Rank Org Ord	32	**Mines**	
Gen Accident	45	Reed Intnl	50	Charter Cons	18
Gen Electric	17	Sears	8	Cons Gold	44
Glaxo	85	TI	20	Lonrho	14
Grand Met	25	Tesco	28	Rio T Zinc	56
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 39

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

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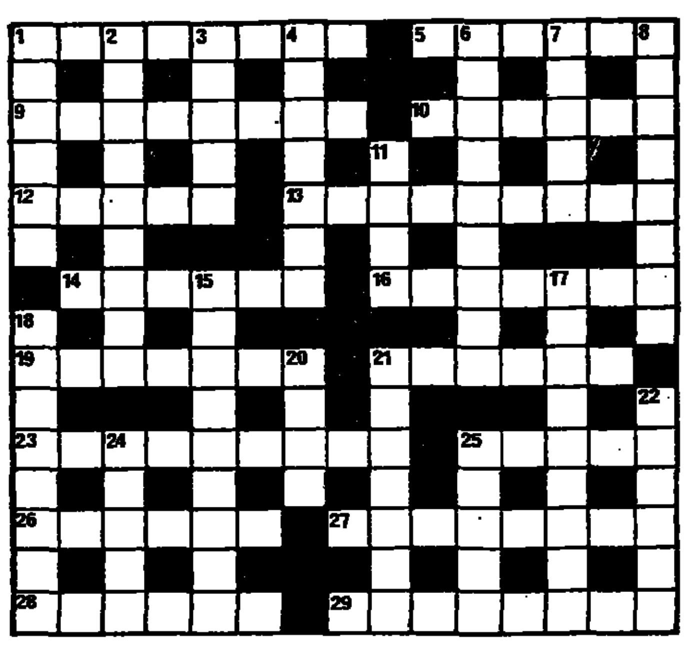
FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,642



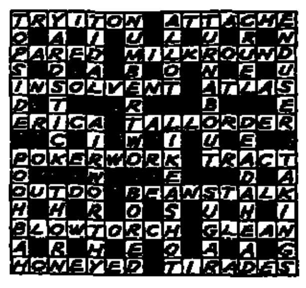
ACROSS

1 Dance of the bedouin in his own environment (8)
5 Sandy hair ? (6)
9 Kipling's acknowledged superior in verse (5, 3)
10 Record turn-round is not commonly a cause of prosecution (6)
12 They operate at different levels (5)
13 Duty-free state (9)
14 It's inadvisable to get us confused with wine (6)
16 He comes in for ill-treatment (7)
19 Musician having ear most developed (7)
21 Call attention to 24 hour period of prosperity (3-3)
23 Fresh delivery for an American city dweller (3, 6)
25 Went to pieces when penniless (5)
26 At home with the bowling, apparently (3, 3)
27 Touching award (8)
28 Repeats after some reflection (6)
29 He comes in to wait in the finish (2, 3, 3)

DOWN

1 Wisely arch about how old one is (6)
2 Telephone-receiver will provide a form of protection (4, 5)
3 Supports — without enthusiasm ? (5)
4 Its possessor isn't affected (7)
6 Senseless communication ? (9)
7 I break bail in order to prove I was elsewhere (5)
8 Set off for school in time (8)
11 Hold the fort (4)
15 Begin to make an acquaintance (9)
17 Are able to make simple converse (9)
18 The height of distinction (8)
20 A race of trees (4)
21 Stirred to a rich stew (7)
22 Get the member to finish an old story (6)
24 Guard marking time (5)
25 He ran the Salvation Army stall (5)

Solution to Puzzle No. 5,641



INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers, Touche Remnant & Co

Sel Sec A	26.5	28.0		
Blue Chip	22.6	23.8		
Fixed Yield	19.5	20.6		
Deposit Fund	16.0	16.9		
Managed	20.9	22.1		
International	28.9	30.5		
Property	17.1	18.1		
Pacific	21.8	23.0		
Equity	16.5	17.4		
Special Sits	25.5	26.9		
Int Currency	13.9	14.7		
Index Linked Secs	11.0	11.6		
American	23.7	25.0		

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.83	15.59		

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202/0733 262524

Multi Gwth Feb 6		£314.176		
Multi Gwth "A" Feb 6	282.7	297.6		
Op 8 Prop Feb 6	264.7	278.7		
Op 8 Equity Feb 11	376.4	396.3	-0.3	
Op Hy Feb 7	266.4	280.5		
Op 8 Man Feb 7	348.9	366.7		
Op 8 Dep Feb 11	201.7	212.4	+0.1	11.14
Op 8 Bond Feb 7	183.7	193.4		
Op 8 Inc Dist Feb 7	144.4	152.0		8.04
Op 8 Int Man Feb 7	214.4	225.7		
Op 8 US$ Feb 7	168.9	177.8		12.12
Pens 8 Pr Ac Jan 31	347.7	366.1		
Pens 8 Eq Ac Jan 31	1067.6	1123.8		
Pens 8 FI Ac Jan 31	386.4	406.8		
Pens 8 Md Act Jan 31	617.9	650.5		
Pens 8 Dp Acc Jan 31	322.1	339.1		
PensBGart Globe Jan 31	114.1	120.2		
Pens 8 Gart NA Jan 31	107.2	112.8		
PensBGartP Jan 31	121.8	128.3		

For Pensions Capital Units please ring ext 2396 or 2361.

Britannia Funds—Series A

Am Smlr Co's	142.0	149.5	+0.5	
Am Spec Sits	170.6	179.6	+2.5	
Commodity	86.3	90.9	-0.4	
Extra Inc	117.8	124.0	-0.3	
Far East	116.7	122.9	+0.6	
FI Secs	160.6	169.1	-0.4	
Gold & Gen	77.1			

National Provident Institution
48, Gracechurch St, EC3P 3HH 01-623 4200

Managed	201.5	212.2		
UK Equity	232.6	244.9	+0.7	
Overseas Eq.	211.6	222.8	+0.8	
American	216.3	227.7	+1.5	
Far East	181.2	190.8	+1.1	
Property	112.5	118.5		
Fixed Int	158.8	167.2	-1.3	
Indexed Gilt	106.2	111.8	-0.4	
Deposit	114.4	120.5	+0.1	

Pension Fund Prices

Man. Initial	203.2	213.9	+0.1	
Man Acc	226.5	238.5	+0.1	
UK Eq. Initial	217.2	228.7	-0.1	
UK Eq	239.0	251.6	-0.1	
Overseas Eq. Initial	234.6	247.0	+1.9	
Overseas Eq	270.8	285.1	+2.3	
American Initial	250.5	263.7	+2.4	
American	276.9	291.5	+2.7	
Far East Initial	232.2	244.5	+1.6	
Far East	257.4	271.0	+2.2	
Prop Initial	108.3	114.0		
Prop.	119.7	126.1		
Fixed Int. Initial	142.4	149.9	-0.8	
Fixed Int.	156.7	165.0	-0.8	
Indexed Gilt Initial	99.5	104.8	-0.5	
Indexed Gilt	110.1	115.9	-0.5	
Deposit Initial	113.2	119.2	+0.1	
Deposit	125.5	132.2	+0.1	

NPI Pensions Management Ltd.

Managed Fund	548.0	576.4		

Prices Jan 2. Next dealing March 1

New Zealand Insurance PLC
110/114, Bader Avenue, Southend. (0702) 344555

Kiwi Key (Managed)	374.6	386.2		
UK Equity	169.6	178.9	-0.1	
American	279.3	294.0	+1.6	
Pacific	384.2	404.4	-0.4	
Property	153.3	161.4		
Gilt	174.2	183.3	-2.4	
High Inc. Equity	160.8	169.3	+0.2	
High Inc. Fxd. Int.	102.0	107.3	-0.5	
Deposit	150.4	158.3		
Index-Linked Gilt	102.4	107.8	-0.1	

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

NUIE (Managed Funds) Ltd.

Managed Fund	524.5	552.1	-0.8	

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$11.61		-0.02	

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12.7	13.2	...	3.10
Chinese Fund	58.8	61.7	...	1.70
Precious Metal Fund	71.4	74.3	...	8.30
Vanguard Cmdy. Fd.	19.6	20.1	...	0.00
Financial Futures Fd.	32.5	33.8	...	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd	$8.62		-0.03	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	13.82	14.39	6-mth	Call
7-day Fnd	13.90	14.47	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	13.84	14.31	6-mth	Call
7-day Fund	13.91	14.40	6-mth	7-day
Money Mngt. Acct	13.62	14.33	3-mth	Call
Dollar	7.37	7.50	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	13.75	14.48	Qtr	Call
Mth. Int. Chq.	13.50	14.37	Mthl	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.00	13.80	Mthl	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.75	13.37	Qtr	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	13.25	14.09	Mthl	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mth	Call
U.S. Dollar	7.50	7.763	Mth	Call
German Mark	5.0	5.116	Mth	Call
Swiss Franc	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mthl	Call

Co-operative Bank

COMMODITIES AND AGRICULTURE

Copper prices at five-year high

BY JOHN EDWARDS, COMMODITIES EDITOR

THE RENEWED decline in the value of sterling helped push copper prices to the highest level for five years on the London Metal Exchange yesterday. Higher grade cash copper gained £24.5 to £1,272 a tonne, a rise of £100 in the past month.

The fall in LME warehouse stocks encouraged the upward trend in prices but profit-taking sales emerged when the New York market failed to sustain a rise above 62 cents a lb and three months quotation in London appeared reluctant to break through £1,300 after reaching £1,298 at one stage.

Three months standard grade zinc rose to the highest level for more than 10 years, closing £15 up at £772.25 a tonne. The cash price also £15 higher at £770 is still below the peak reached in June last year, but advanced in spite of warehouse stocks increasing.

Aluminium prices rose to the highest point for nearly a year, *reflecting the drop in sterling* and the firmer trend in copper. A further boost was provided by the hefty cut in LME warehouse stocks and the announcement by the International Primary Aluminium Institute of a downturn in non-Communist world stocks in December.

LONDON METAL EXCHANGE WAREHOUSE STOCKS (Changes during week ending February 8)

Aluminium	−4,650 to 135,900
Copper	−3,600 to 112,800
Lead	+600 to 56,175
Nickel	−1,278 to 5,250
Tin	−785 to 22,095
Zinc	+900 to 30,500
	(tonnes)
Silver	−280,000 to 52,754,000
	(ounces)

The institute said stocks of all forms of aluminium (primary and secondary) at the end of December fell to 4.391m tonnes against 4.425m tonnes at end-November, but were still well up on the December 1983 figures of 3.669m tonnes.

Primary metal stocks declined to 2.588m tonnes compared with 2.623m in November and 2.024m in December 1983. A *significant point was that North* American stocks appear to be, at last, showing the effect of the series of cuts in output announced by producers in recent months.

Sharp drop in London cocoa futures

By Richard Mooney

COCOA PRICES fell sharply on the London futures market yesterday influenced by an easier tone on the New York market, receipt of delayed Nigerian shipment declarations and modest new crop sales by the Ivory Coast.

The recent bullish market sentiment was maintained in early dealings and the May quotation reached £2,209 a tonne at one point. By the close, however, May cocoa had plunged to £2,173 a tonne, down £83.50 on the day, wiping out last week's £42.50 advance.

Dealers said the New York decline had triggered heavy liquidation and stop-loss selling in London. Trading volume was high at 6,098 lots (10 tonnes each).

The steady early trend was encouraged by an Accra Radio report of the following of a plot by dissidents to destabilise Ghana.

● JOHNSON MATTHEY raised its base price for rhodium to $1,100 per troy ounce from $1,075 and that of iridium to $600 from $500. The market reacted by quoting rhodium in a new record high range of $1,125 to $1,140, up about $10 from Friday, and iridium from $635 to $640, a rise of about $60.

● SRI LANKA has set a rubber production target of 140m kg for this year, up 500,000 kg from estimated production last year.

● NEPAL expects to sell about 50,000 tonnes of rice and 30,000 tonnes of wheat to India in the year *to* July 15.

● ISRAEL'S Cotton Production and Marketing Board estimates this year's crop will be 82,600 tonnes of Akala and 5,000 tonnes of Pima. Export contracts had been signed for 80 per cent of the Akala and all the Pima.

● U.S. ROASTINGS of green coffee in the week ended February 2 were about 355,000 (60 kg) bags, including that used for soluble production, compared with 365,000 in the corresponding week last year and 325,000 in the week ended January 26, George Gordon Paton & Co Inc said.

Rise in U.S. oil demand unlikely to last

BY WILLIAM HALL IN NEW YORK

AFTER FIVE years' decline U.S. oil consumption rose again last year but many believe the 3.5 per cent growth will be recorded in history as the highest rise of the decade.

Since the U.S. accounts for about a third of free-world oil consumption any change in its appetite quickly sends ripples through international oil markets. Last year's 540,000-barrels-a-day rise in average daily consumption to 15.8m b/d accounted for about two-thirds of the rise in world oil demand.

The most buoyant sector was jet-fuel consumption, which rose 13 per cent to 1.2m b/d even though the number of miles flown rose only 10 per cent. However the rise is not expected to be repeated this year.

Distillate fuel oil demand rose *for the second year running,* by a healthy 6.8 per cent to 2.9m b/d. About two-thirds of the increased consumption reflected higher demand for diesel fuel for transport, a direct result of the economic upturn.

Motor gasoline still accounts for more than 40 per cent of U.S. consumption but was not responsible for powering last year's rise in overall U.S. oil *demand. According to latest* estimates from the American Petroleum Institute (API), U.S. gasoline demand rose by just 1.2 per cent to 6.7m b/d last year.

Record car sales, the move to bigger models and gasoline prices at a five-year low failed to lift gasoline consumption significantly last year — and high gasoline stocks have been a serious drag on product prices as a result.

U.S. ENERGY CONSUMPTION

	1984	Per cent growth	1985	Per cent growth forecast
	Million billion British Thermal Units			
Oil	31.2	3.8	31.6	0.9
Natural gas	18.5	5.3	18.9	2.5
Coal	17.2	8.4	17.6	3.2
Other	7.6	+5.5	7.7	1.3
Total	74.5	5.5	75.8	1.9

Source: American Petroleum Institute and Oil and Gas Journal

Since March 1981 U.S. gasoline prices have fallen 25 per cent in real terms while real disposable income has risen 13 per cent. In the past this would have raised gasoline demand by 10 per cent or more but now it is more than offset by increased engine efficiency.

Bankers Trust forecasts that a 25 per cent rise in miles travelled over the next 10 years will be more than offset by a 40 per cent rise in mileage per gallon. The New York-based *Petroleum Industry* Research Foundation expects gasoline consumption to drop to 6.3m b/d by 1990.

One big area of oil consumption which continued to decline *was residual fuel oil usage.* Average consumption fell 4.4 per cent to 1.3m b/d. It has been falling for six years and is now less than half the level of the late 1970s.

Residual fuel oil's biggest competitor is coal, which continued to make big inroads in the energy market last year. API estimates consumption rose 8.4 per cent last year.

Unlike oil and natural gas, the contribution of which is running 14 per cent below its peak of the late 1970s, coal's share of the energy market has jumped from 17.5 per cent *in* 1978 to 23 per cent last year.

Analysts do not expect energy consumption to resume the heady growth rates of the 1970s. Consumption peaked at *78.8 million billion BTU in* 1979 and dropped to 70.7 million billion in 1983 before recovering to 74.6 million billion last year. In the same period economic activity has *risen 16 per cent in terms of* real gross national product.

This year energy consumption is expected to grow by less than 2 per cent. Within this, oil's share will continue to decline. In 1978 oil accounted for 48.6 per cent of energy consumption but by last year had dropped to 41.8 per cent and by 1990 will be below 40 per cent, says Herbert Krupp, Bankers Trust's senior energy economist.

While U.S. reliance on oil has been falling since the late 1970s, domestic production has once again started to rise and the decline in U.S. oil reserves has been halted. Crude production rose by 1.4 per cent to an average 8.8m b/d last year, its highest level in more than a decade. Oil reserves have stabilised at just under 28bn barrels.

Beneath this rather comforting picture, however, the U.S. oil industry is campaigning hard to stop the country being lulled into a sense of false security.

Mr Charles DiBona, API president, notes that by the end of last year the U.S. was relying on imports for about one-third of its oil supplies — *the same level of dependence* as before the 1973 oil embargo. He argues that in spite of the weakness of U.S. oil consumption, last year will prove to be a transitional year when the *decline in consumption* was reversed.

Chicago silver options plan backed

WASHINGTON — *The staff of* the Commodity Futures Trading Commission (CFTC) has urged approval of the Chicago Board of Trade as a market to trade options on silver futures.

In a report prepared for a commission vote today, they said many of the proposed terms governing CBT silver futures options trading were identical to those for options on CBT T-bond, soyabean and maize futures already approved by the commission.

The silver option contract will give the holder the right to buy or sell a CBT silver *futures contract for* 1,000 troy ounces at a specified price by the option's expiry date. Trading will be for February, April, June, August, October and December.

Each newly-listed option contract will begin trading with seven strike prices, comprising the nearest strike price to the previous day's silver futures settlement price and the next *three higher* and lower increments.

Strike prices will be 25 cents per troy ounce for prices below $8 and 50 cents per troy ounce for prices at or above $8.

The CBT proposes to set speculative limits on outright positions of 7,500 contracts for long puts (buys), long calls (sells), short puts and short calls, plus an additional 7,500 contracts *for* conversions and reverse conversions.

The CBT is to set exemptions for "economically appropriate hedging positions," conversions, reverse conversions and for some one-to-one spreads between options and futures. A reporting requirement of 100 contracts will apply to all puts and calls, either long or short.

Option prices will be quoted in multiples of one cent per troy ounce of silver in the underlying futures contract.

The CBT said it would start trading silver futures options on *March* 29, pending CFTC approval. The new non-agricultural options contract will be the second proposed by the exchange under the CFTC's expanded options pilot programme. — Reuter

U.S. grain sales squeezed

BY MARY DUNNE IN WASHINGTON

U.S. WHEAT, now more expensive because of the strong dollar, is being squeezed out of its traditional markets, according to U.S. Wheat Associates.

Argentina narrowly failed to sell wheat to the U.S. as a result of pressure by U.S. farmers on Cargill, the would-be importer. But Argentina has agreed to supply Peru with 320,000 tonnes of wheat at $125 a tonne with a three-year credit at 10 per cent interest. This raises to 560,000 tonnes Peru's commitments to Argentina out of the 1m it is expected to import.

In the past, says Wheat Associates, Peru was supplied entirely by the U.S. with congressional financing.

Furthermore, of the 4.4m tonnes of wheat contracted by China from the U.S. (under a long-term grain agreement that the Chinese failed to keep), 20,000 tonnes remains to be shipped. The Chinese have now cancelled that purchase in favour of EEC supplies. This is now the world's cheapest wheat, says Wheat Associates.

Mr John Block, the U.S. Agriculture Secretary, last week told the Congressional Joint Economic Committee that the strong dollar was expected to increase U.S. food imports to a record *$18.8bn.*

He said the value of U.S. agricultural exports would drop from $38bn last year to $36.5bn in fiscal 1985, though lower prices were expected to raise the volume of overseas sales.

Oxfam analysis criticised

OXFAM PUBLICITY on causes of world hunger is severly criticised in a report issued today by the Economist Intelligence Unit, writes **Richard Mooney.**

It says Oxfam is spending a great deal of money to publicise a faulty diagnosis of the causes of hunger and to drum up campaigning support behind policies derived *from it.*

The report says this lopsided account may succeed in making people feel guilty but distracts attention from some major obstacles to decent standards of nutrition *in the Third* World and thus lessens the chances of their removal. "Hunger has a new ally in Oxfam," is says.

In a 10-page introductory article to its regular commodity outlook report the EIU systematically disects recent Oxfam campaign publicity on population, birth control, interest charges on Third World debt, the morality of Third World food exports, land tenure and overproduction of food in developed countries.

The EIU finds oversimplistic Oxfam's claim that land that should be feeding their own people is producing food for European and North American consumers to earn foreign exchange to discharge avaricious debt-service obligations. The report says the key to the solution *lies in just* systems of land tenure in developing countries.

World Commodity Outlook 1985: Food, Foodstuffs and Beverages; Economist Publications, 40 Duke Street, London W1M 5DG; £45.

Tea prices fall further

BY RICHARD MOONEY

TEA PRICES fell further at yesterday's weekly London auction, according to the official report from the Tea Brokers Association of London. Quality tea was down 6p at 310p a kilo; medium grade fell 9p to 275p; and low medium 13p to 235p. The offering totalled 39,587 packages including 11,600 in the offshore section.

In spite of good demand, Assam *teas* were *generally* about 10p a kilo cheaper than at last week's sale. Bangladesh teas were a weak feature, the report said, with prices 15p to 20p a kilo down.

India a net importer of sugar

INDIA, which started exporting sugar a *couple* of years ago to relieve itself of a burdensome surplus, has become a net importer again due to falling output in the past year and the prospect of smaller production this year, writes **P. C. Mahanti** in Calcutta.

According to newspaper reports from Delhi, India may again import 500,000 tonnes in this sugar season ending September next, a similar quantity to that of last season.

LONDON MARKETS

AFTER A quiet morning session coffee prices moved up sharply on the London futures market with the May position ending £32 up on the day at £2,396 a tonne.

Weaker sterling led to the market being a shade firmer early on but potential gains were limited by expectations of follow through selling after last week's decline from above £2,400 a tonne. When this selling failed to materialise prices moved higher on mixed trade and speculative buying in thin volume.

On the sugar futures market values fell early on but rallied to end little changed on the day.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Feb. 11 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1175/1195	+15	$1145/1175
Copper			
Cash h Grade	£1272	+24.5	£1172.5
3 mths	£1295.5	+25.75	£1186.25
Gold troy oz	$300	+0.75	$302
Lead Cash	£341.75	+8.25	£349
3 mths	£348.25	+4	£325.25
Nickel			
Free Mkt	229/259c	+2	218/248c
Palladium oz	$126.75	−0.5	$116.50
Platinum oz	$271.50	−0.5	$266.75
Quicksilver	$295/305	......	$295/305
Silver troy oz	550.00p	+0.5	531.10p
3 mths	567.30p	+1.30	546.35p
Tin cash	£9927.5	−12.5	£9830
3 mths	£9945	+22.5	£9832.5
Tungsten	$78.27	......	$81.75
Wolfram 22 04lb	$70/74	......	$64/68
Zinc	£770	+15	£717.5
3 mths	£772.25	+15	£707.25
Producers	$900	......	$900

OILS	Feb. 11 1985	+ or —	Month ago
Coconut (Phil)	$756u	+10	$905
Palm Malayan	$570x	+5	$590
SEEDS			
Copra Phil	$500v	+30	$560
Soyabean (U.S.)	$249.25	−1.75	$248.55
GRAINS			
Barley Fut. May	£115.50	−0.15	£114.05
Maize	£148.00	......	£148.50
Wheat Fut. May	£116.25	−0.05	£115.85
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. May	£2173	−83.5	£2055
Coffee Ft. May	£2396	+32	£2336.5
Cotton A Index	69.80c	+0.2	71.80c
Gas Oil March	$235.5	+5.5	$223.25
Rubber (kilo)	65p	......	64p
Sugar (raw)	$109w	−5	$112.5
Wooltops 64s	525pkilo	+2	498pkilo

‡ Unquoted. w March. x April. u Feb-March. v March-April. † Per 75-lb flask. n Nominal. c Cents a pound.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1266.5-7.5	−13.2	1271.5-2.5	+24.5
3 months	1288.5-9	+15	1295 6	+25.7
Settlem't	1267.5	+14	—	—
Cathodes				
Cash	1265-7	+15.5	1271-4	+29
3 months	1285-7	+15.5	1290 3	+26.5
Settlem't	1267	+17	—	—

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,267, three months £1,288, 87, 88, 88.5, 89. Standard: Cathodes: Three months £1,287. Kerb: Higher Grade: Three months £1,288.5, 88, 87.5, 87. Afternoon: Higher Grade: Three months £1,298, 97, 97.5, 98, 99, 99.5, 99, 98, 97, 96, 95, 94.5, 95.5. Kerb: Higher Grade: Three months £1,295, 96, 95, 95.5, 96, 96.5, 97. Turnover: 26,950 tonnes. U.S. Producers: 66-70 cents a pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	9960-5	+55	9940-50	−17.5
3 months	9960-5	+25	9960 5	+5
Settlem't	9965	+55	—	—
Standard				
Cash	9955 60	+30	9925-30	−12.5
3 months	9950 60	+44.5	9940 50	+22.5
Settlem't	9960	+50	—	—
Straits. E	$29.15	—	—	—

Tin—Morning: Standard: Cash £9,965, 60, three months £9,950, 55. High Grade: Cash £9,965. Kerb: Three months £9,945, 50. Afternoon: Standard: Cash £9,940, 30, three months £9,975, 70, 65, 50. High Grade: Three months £9,970, 60. Kerb: Three months £9,950. High Grade: Three months £9,975, 80. Turnover: 1,495 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	341-.5	+4	341.5-2	+2.25
3 months	346-.5	+5	348-.5	+4
Settlem't	341.5	+4	—	—

Lead—Morning: Cash £342, 41.5, 41, three months £347, 46.5, 46. Kerb: Three months £345.5, 46, 47, 46.5. Afternoon: Cash £341.5, 42, 41.5, three months £346.5, 47, 47.5, 48, 47.5, 48, 48.5. Kerb: Three months £348, 47. Turnover: 16,450 tonnes. U.S. Spot: 19-20 cents a pound.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	757.5	+11	769-71	+15
3 months	770-1	+14.7	722-.5	+15
Settlem't	767.5	+11	—	—

Zinc—High Grade Official/Unofficial prices: Cash am £795-796, pm £795-800. Three months am £800-805, pm £804-805. Settlement £796. Morning: Cash £767, three months £772, 72.5, 72, 71, 70. High Grade: Cash £800, £799, 98, 97, 96. Kerb: Three months £770, 69, 68. Afternoon: Three months £772, 73, 72, 71, 73, 72. High Grade: Three months £805. Kerb: Three months £772, 71.5, 72, 72.5, 72, 71, 70, 69.5. Turnover: 9,175 tonnes. U.S. Prime Western: 43-43.75 cents a pound.

ALUMINIUM

Alumn'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	1014-.5	+22	1020-.5	+25.5
3 months	104-8.5	+24	1055-.5	+26

Aluminium—Morning: Three months £1,048, 47, 46, 45, 46, 47, 47.5, 48. Kerb: Three months £1,049. Afternoon: Three months £1,056, 55.5, 55, 54.5, 55, 56, 57, 56.5, 56, 55, 55.5, 55, 54, 53.5, 54, 55. Kerb: Three months £1,055, 4. Turnover: 22,700 tonnes.

NICKEL

NICKEL	£ a.m. Official	£ + or —	£ p.m. Unofficial	£ + or —†
Spot	4545-50	+80	4565 60	+17.5
3 months	4580-5	+55	4597-9	+15.5

Nickel—Morning: Cash £4,610, £4,570, three months £4,630, 15, 5, £4,595, 90. Kerb: Three months £4,590, 85, 80. Afternoon: Three months £4,620, 10, 15, 600, 4,595, 4,600. Kerb: Three months £4,600, 10, 15, 20. Turnover: 1,692 tonnes.

GOLD

Gold rose $¾ to $299¾-300¼ on the London bullion market yesterday. It opened at $300-300½, the highest level of the day, and was fixed at $300 in hte morning and $300.15 in the afternoon. The metal touched a low of $299-299½.

GOLD BULLION (fine ounce) Feb. 11

Close	$299¾-300¼	(£273-273½)
Opening	$300-300½	(£271-271½)
M'n'g fix.	$300.00	(£271.199)
Aft'n'nfix.	$300.15	(£272.498)

GOLD AND PLATINUM COINS

Kr'g'r'nd.	$309½-310¼	(£282-283)
½ Krug.	$159¼-160	(£145-145¾)
¼ Krug.	$81¼-82	(£74-74¾)
1/10 Krug.	$33¼-34	(£30¼-31)
Mapleleaf	$309½-310¼	(£282-283)
New Sov.	$71-71¾	(£64¾-65¼)
½New Sov.	$42½-43¼	(£38¾-39½)
Old Sov.	$71½-73	(£65 66½)
$20 Eagle	$465-495	(£423¾-451)
Noble Plat	$279 282¼	(£254-257)

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Feb.	—	—	—
April	303.00	—	303.00
Jun.	—	—	—

Turnover: 100 (2) lots of 100 troy ounces.

SILVER

Silver was fixed 0.5p an ounce higher for spot delivery in the London bullion market yesterday at 550p. U.S. cent equivalents of the fixing levels were: spot 608c, down 5.5c; three-month 620.5c, down 5.85c; six-month 635.65c, down 5.4c; and 12-month 666.95c, down 7.25c. The metal opened at 549-552p (608-611c) and closed at 554-557p (608-611c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	550.00p	+0.50	555.5p	+10
3 months	567.30p	+1.30	573.25p	+10
6 months	584.70p	+5.00	—	—
12months	616.15p	+2.75	—	—

LME—(2,000 oz contract): cash 555.5p (545.5p); three months 573.25p (563.25p). Turnover: 0 (0)

Turnover: 35 (44) lost of 10,000 oz. Morning: large 2nd ring three months 568. Kerb: three months 568.5. Afternoon: large 1st ring three months 571; 2nd ring three months 571.5, 72, 73. Kerb: large three months 572.

COCOA

Although fully steady during the morning futures eased sharply prior to the close, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	2162-2165	−72.5	2257-2158
May	2172 2174	−83.5	22 782167
July	2145 2150	−81.0	2252-2145
Sept	2122 2194	−82.5	2250-2116
Dec	1988-1992	−49.0	2061-1986
Mar	1975-1980	−44.0	2045-2024
May	1965-1976	−37.0	1980-1976

Sales: 6,098 (3,596) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for February 8: 107.79 (107.06); five-day average for February 11: 107.61 (107.54).

COFFEE

Following a lower New York close London opened unchanged to slightly easier, reports Drexel Burnham Lambert. A decline in sterling prompted a recovery and, despite continued weakness in New York, prices rallied in thin conditions.

COFFEE	Yesterd'ys Close	+ or —	Business Done
March	2386-89	+35.5	2386-45
May	2395 97	+32.0	2400-56
July	2421 23	+38.5	2424 85
Sept.	2439 40	+32.0	2443 05
Nov.	2460-62	+34.0	2462 27
Jan	2460 75	+43.5	2465
March	2440 66	+32.5	—

Sales: 2,083 (2,773) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for February 8: Comp. daily 1979 134.54 (136.09); 15-day average 136.82 (137.07).

GRAINS

Old crops reached the highs early in the day on concern over wintry weather but met trade selling to fall back and close at the day's lows. New crops came under heavy hedge selling and closed at contract lows, reports Muirpace.

WHEAT / BARLEY

Mnth	Yesterd'ys close	+ or —	Yesterd'ys close	+ or —
May	116.25	−0.05	115.50	−0.16
July	117.90	−0.55	—	—
Sept.	95.85	−0.55	95.48	−0.78
Nov.	99.50	−0.50	99.85	−0.65
Jan.	102.90	−0.88	103.35	−0.65

Business done—Wheat: March 112.25-1.85, May 115.50-6.25, July 118.50-7.90, Sept 96.25-6.00, Nov 99.60-9.30, Jan 103.25-2.90. Sales: 158 lots of 10 0tonnes. Barley: Mar 112.85-2.60, May 115.50 only, Sept 97.00-6.45, Nov and Jan untraded. Sales: 27 lots of 100 tonnes.

LONDON GRAINS—Wheat U.S. Dark Northern Spring No. 1, 14 per cent March 179.75, April/May 168.25, June 169.75, transshipment East Coast. U.S. No. 2 Soft Red Winter: March 164.50, April 165.75, June 169.75. English feed, fob: Feb 113, March 114, April/June 117, East Coast. Maize: U.S. No. 3 Yellow/French: Feb 148, transshipment East Coast. Barley: English feed, fob: Feb 117, March 118, May/July 121. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed Barley: E. Mids 111.80, Scotland 111.70. The UK monetary coefficient for the week beginning Monday February 18 (based on HGCA calculations using 4 days exchange rates) is expected to remain unchanged.

PIGMEAT

Prices rallied sharply as short-covering encouraged fresh buying, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
April	110.30	106.50	110.40-106.80
June	108.50	105.10	108.70-106.00
Aug	105.00	102.00	105.10-103.60
Oct	111.80	108.80	108.80-108.00
Nov	118.40	109.80	111.60-108.40
Feb	103.80	102.50	112.40-101.00

Sales: 186 (74) lots of 50 carcases, 3,250 kg.

POTATOES

Short-covering due to cold weather raised levels by £2.00 but values eased slightly off the highs and traded quietly thereafter, reports Coley and Harper.

Month	Yesterdy's close	Previous close	Business Done
	£ per tonne		
Feb	42.50	43.80	44.50-44.00
April	50 50	48.00	51.00-50.00
May	51.50	50.40	52.00-51.40
Nov	71.50	71.80	71.50
Feb	79.80	80.10	—

Sales: 527 (241) lots of 40 tonnes.

OIL

Brent firmed 50c, buoyed in the morning by firm gas oil and supported later by strong Nymex crude which traded 37c up by 1 pm EST. The petroleum products market was firm. Gas oil continued to strengthen as demand was further expended by cold weather while supply remained poor. Lack of supplies from the Black Sea and Caribbean has combined with heavy heating demand in the UK, Scandinavia and Continent to firm prices by at least $1—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.40 27.50	—
Arab Heavy	26.55 26.65	−0.05
Dubai	26.95-27.10	—
Brent Blend	28.35 28.40	+0.50
W.T.I. (1pm est)	27.80-27.95	+0.425
Forcados (Nigeria)	28.20 28.40	+0.175
Urals. (cif NWE)	—	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	234 236	+1
Gas Oil	250 253	+1.5
Heavy fuel oil	158-192	+1

All March prices — Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Feb.	249.25	+3.75	255.00 49.25
March	235.50	+5.50	237.50 34.50
April	224.50	+5.75	226.00-23.50
May	219.25	+2.25	221.25-18.50
June	217.00	+0.50	221.50-17.00
July	216.00	+1.50	—
Aug	218.00	+2.00	—

Turnover: 3,562 (2,634) lots of 100 tonnes.

RUBBER

opened slightly steadier, attracted active buying interest throughout the day and closed steady, reports Lewis and Peat. Closing prices (buyers): 65.00p (same): March 76.25p (76.00p); April 77.00p (76.75p). The Kuala Lumpur Feb fob price for RSS No. 1 was 195.75 (188.0) cents a kg and for SMR 20 was 188.5 (186.0).

SOYABEAN MEAL

The market opened unchanged to £1 higher in quite conditions, reports T. G. Roddick. Heavy selling pressure occurred during the afternoon.

	Yesterday close	+ or —	Business Done
	£ per tonne		
Feb	147.0-155.8	—	—
April	146.5-147.0	−1.80	147.8-147
June	143.8 144.5	−1.06	144.0
August	144.5-145.8	−1.10	145.0-145
October	148.5 149.5	−0.88	150.0
Dec	155.5-154.5	—	154.5
Feb	156.5-158.5	+0.25	158.0

Sales: 132 (223) lots of 20 tones.

SUGAR

LONDON DAILY PRICE—Raw sugar $109.00 (£99.00), down $5.00 (down £3.00) a tonne for February-March delivery. White sugar $138.00, down $2.00.

Some scattered sell-at-best orders at the opening were soon absorbed and prices gained $2 over the morning *but New York initially failed to provide* any incentive for prices to rise any further, reports C. Czarnikow.

No.6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	112.0-112.4	112.8-115.0	115.2-111.4
May	120.4-120.5	120 5 120.8	121.4 118.8
Aug	128.0-128.2	128.8 129.8	130.0-128.8
Oct	137.4-137.8	137.8-138.0	138.2-136.8
Dec	144.8-145.0	144.8-145.2	—
Mar	158.0 159.8	159 8-160.2	159.4-158.5
May	165.5-167.0	166.4-166.8	—

Sales: 3,193 lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £208.00 (£212.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for February 8: Daily price 3.61 (3.74); 15-day average 3.76 (3.76).

U.S. MARKETS

HEATING OIL moved higher Heinold Commodities. Strong tures blanketed Central and Eastern Europe, reports Heinold Commodities. Strong indications that the deliveries on the US crude oil February contract may not be adequate also rallied the market. Grains and soyabeans were under pressure on steady commercial and local selling. A late rally based on short-covering in precious metals still left soyabeans moderately to sharply lower, while maize finished slightly lower and wheat was steady on the close. Gold and silver firmed on late, local short-covering as values failed to follow-through lower despite the firm dollar. Copper rallied on renewed concern over the drawing room in exchange warehouse stocks. Aluminium also gained on LME stock drawdowns.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	50.55	—	—	49.65
March	50.85	51.00	50.60	49.95
April	51.25	—	—	50.35
May	51.70	51.60	51.50	50.80
July	52.50	52.45	52.45	51.60
Sept	53.30	—	—	52.40
Dec	54.50	—	—	53.60
Jan	54.90	—	—	54.00
March	55.70	—	—	54.80
May	56.50	—	—	55.60

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2164	2277	2147	2277
May	2222	2315	2222	2310
July	2217	2300	2217	2305
Sept	2189	2270	2189	2277
Dec	2057	2120	2042	2124
March	2050	2060	2040	2109
May	2050	2060	2060	2109

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	145.79	46.70	44.00	45.90
May	144.51	45.25	43.10	44.38
July	142.90	43.40	41.50	42.78
Sept	141.25	42.00	40.30	41.36
Dec	140.18	40.40	39.40	40.45
March	138.88	38.50	38.50	39.37
May	137.77	37.25	37.25	37.50
July	136.00	36.50	36.50	37.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Feb	61.75	—	—	60.95
March	62.05	62.20	61.30	61.30
April	62.45	—	—	61.70
May	62.90	63.05	62.05	62.10
July	63.60	63.65	62.80	62.70
Sept	64.20	64.30	63.50	63.25
Dec	65.15	65.10	64.30	64.10
Jan	65.45	—	—	64.35
March	66.05	65.70	65.20	64.85
May	66.65	—	—	65.35

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	65.31	65.60	65.23	65.67
May	66.41	66.70	66.33	66.70
July	67.28	67.50	67.10	67.53
Oct	67.36	67.55	67.35	67.48
Dec	67.38	67.50	67.35	67.55
March	68.45	—	—	68.68
May	69.10	—	—	69.32
July	69.50	—	—	69.78

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
March	28.04	28.04	27.74	27.59
April	27.38	27.39	27.05	26.92
May	26.82	26.82	26.60	26.48
June	26.50	26.60	26.40	26.29
July	26.33	26.40	26.20	26.10
August	26.30	26.20	26.20	26.04
Sept	26.10	—	—	26.06
Oct	26.10	—	—	26.06
Nov	26.10	26.35	26.00	26.06
Dec	26.10	26.50	26.10	26.06

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	304.6	306.5	299.0	300.5
March	305.3	—	—	301.2
April	307.5	308.3	301.8	303.4
June	312.0	313.3	306.0	307.8
August	316.7	317.5	310.3	312.3
Oct	321.4	318.0	315.7	317.0
Dec	326.5	327.0	320.7	322.0
Feb	331.8	326.0	326.0	327.2
April	337.4	—	—	332.7
June	343.4	—	—	338.6
August	349.6	—	—	344.7
Oct	356.1	354.0	351.5	351.1
Dec	362.9	—	—	357.8

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
March	74.50	74.95	74.25	73.87
April	71.45	71.75	71.20	70.69
May	70.05	70.30	69.80	69.23
June	69.35	69.55	69.30	68.77
July	69.40	69.40	69.40	69.00
August	70.00	—	—	69.00
Sept	71.00	71.00	71.00	70.85

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	171.70	74.25	71.10	73.10
May	173.95	76.25	73.50	75.00
Sept	173.50	75.25	73.50	74.35
Nov	172.60	74.20	72.40	73.60
Jan	171.80	—	—	72.75
March	171.80	—	—	72.75
May	171.80	—	—	72.75
July	171.80	—	—	72.75

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	275.7	—	—	272.3
March	276.9	—	—	273.5
April	272.8	279.0	271.0	274.8
July	283.8	285.0	278.0	280.4
Oct	289.6	290.0	286.0	286.2
Jan	295.2	—	—	293.2

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Feb	628.5	609.5	609.5	613.2
March	631.0	634.0	609.0	615.5
April	635.4	—	—	619.8
May	639.9	644.0	618.0	624.2
July	649.3	652.0	628.0	633.5
Sept	659.5	661.0	641.0	643.6
Dec	676.2	677.0	655.0	660.0
Jan	682.0	682.5	662.5	665.8
March	693.5	680.0	674.0	676.8
May	705.9	—	—	688.9

OTHER MARKETS

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Mar 511, 514, nil; May 523, 524, 525; Aug 543, 544, 544-543; Oct 542, 546, 546; Dec 543, 547, nil; Jan 546, 546, nil; Mar 552, 558, 555; May 554, 560, nil; Aug 568, 570, 570. Sales: 9.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Mar 584.0, 585.5, 585 0; May 595.0, 598.0, untraded; Jly 597.0, 599.9, u/t; Oct 585.0, 588.0, u/t; Dec 58.0, 583.0, u/t; Mar 595.0, 605.0, u/t; May 600.0, 606.0, u/t; Jly 609.0, 612.0, u/t. Sales: 5.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Further records for dollar

The meeting of central bankers in Basle yesterday generated a little early nervousness on the foreign exchanges, but New York dealers were far less reticent than their European counterparts, and as London closed the U.S. currency was advancing unchecked to new records. The market appears to believe there is little the central banks can do to stem the dollar's rise, on the back of high U.S. interest rates to fund the Budget deficit, coupled with strong economic growth, but relatively low inflation.

The dollar broke through FFr 10.00 against the French franc soon after the London close and was also around the DM 3.28 level.

Further commercial demand and speculative buying pushed the dollar up to a 13-year peak of DM 3.2750 from DM 3.2575; to an 11-year high of SwFr 2.7940 from SwFr 2.7750; to a two-year peak of Y261.60 from Y260.65; and to a record FFr 9.98 from FFr 9.94.

On Bank of England figures the dollar's index rose to a record 150.3 from 149.3.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0965. January average 1.1274. Exchange rate index 71.1, the lowest level of the day, a fall of 0.7 from the previous close, and compared with 78.5 six months ago. The index opened at the day's peak of 71.5, and after falling returned to that level in the afternoon, before falling sharply at the close.

Sterling fell to a record closing low of $1.0960-1.0970 in London yesterday, a loss of 1.40 cents from Friday's London close, and also below Friday's New York finish, when selling out of the Chicago futures market put renewed pressure on the pound. Sterling touched an all time low of $1.0935-1.0945, with more stable oil prices and the present high level of London interest rates unable to prevent a further slide. U.S. dealers apparently felt that the pound was too high in comparison with other major currencies, after their fall against the dollar last week, but yesterday it came into line, falling to DM 3.5025 from DM 3.6150; FFr 10.94 from FFr 11.04; SwFr 3.0650 from SwFr 3.08 and Y286.75 from Y289.50.

D-MARK — Trading range against the dollar in 1984-85 is 3.2750 to 2.5535. January average 3.1698. Exchange rate index 119.2 against 123.4 six months ago.

The D-mark fell to another 13-year low against the dollar, with the U.S. currency closing in Frankfurt at DM 3.2660, compared with DM 3.2440 on Friday. It touched a peak of DM 3.2715, after being fixed at DM 3.2573 compared with DM 3.2426 at the previous Frankfurt fixing. There was no sign of intervention by the Bundesbank on the open market, but the German central bank sold $11.65m at the fixing. The dollar's advance also put pressure on the D-mark in Paris, where the Bank of France was believed to be supporting the German currency at around FFr 3.0515. This was the lowest level for the D-mark against the franc for over two years. Sterling was generally weak however, losing ground to the D-mark, when it was fixed at DM 3.5980 compared with DM 3.6230 on Friday.

STERLING EXCHANGE RATE INDEX
(Bank of England)

	Feb 11	Previous
8.30 am	71.5	71.9
9.00 am	71.4	72.0
10.00 am	71.4	72.2
11.00 am	71.4	72.1
Noon	71.4	72.0
1.00 pm	71.5	72.0
2.00 pm	71.5	72.0
3.00 pm	71.3	72.0
4.00 pm	71.1	71.8

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.6591	−0.54	+0.22	±1.5428
Danish Krone	8.14104	7.95611	−2.27	−1.51	±1.6421
German D-Mark	2.24184	2.22897	−0.66	+0.10	±1.1483
French Franc	6.87456	6.79647	−1.14	−0.38	±1.3659
Dutch Guilder	2.52595	2.52064	−0.21	+0.55	±1.5165
Irish Punt	0.72569	0.715968	−1.34	−0.58	±1.6671
Italian Lira	1403.49	1368.87	−2.47	−2.31	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York

	February 11	Prev. close
£ Spot	$1.0930-1.0948	$1.1040-1.1060
1 month	0.48-0.44pm	0.48-0.44pm
3 months	1.19-1.06pm	1.04-1.00pm
12 months	2.00-1.80pm	1.80-1.70pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Feb 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0935-1.1085	1.0960-1.0970	0.52-0.48c pm	5.47	1.30-1.25pm	4.65
Canada	1.4650-1.4780	1.4655-1.4675	0.54-0.47c pm	4.13	1.22-1.13pm	3.20
Nethlnd.	4.05-4.08	4.06¾-4.07¾	2½-2¼c pm	7.01	6½-6¼pm	6.27
Belgium	71.59-72.25	71.85-71.95	24-19c pm	3.59	54-47pm	2.81
Denmark	12.79-12.92¾	12.79-12.80	4½-3½ore pm	3.63	9½-8¼pm	2.77
Ireland	1.1520-1.1560	1.1525-1.1535	0.07p pm-0.11dis	−0.21	0.04pm-.27d	−0.40
W. Ger.	3.58¼-3.60¼	3.58½-3.59½	2¼-2¼pf pm	7.52	6½-6pm	6.89
Portugal	197.00-204½	197.00-203.00	185-465c dis	−19.50	480-1370dis	−18.80
Spain	197.40-198.55	197.45-197.85	40-10c dis	1.52	60-10dis	−0.71
Italy	2,195-2,213¾	2,204-2,205	1lire pm-1dis	—	4-7dis	−1.00
Norway	10.28¾-10.33½	10.29-10.30	2-1½ore pm	1.97	4½-3¾pm	1.43
France	10.909-10.989	10.93½-10.94½	3¾-3c pm	3.70	7¾-6¾pm	2.49
Sweden	10.13¾-10.20	10.16-10.17	¼-¾ore dis	−0.44	1⅞-2¼dis	−0.91
Japan	285¼-288¾	286¾-287¾	1.85-1.71y pm	7.45	5.13-4.95pm	7.03
Austria	25.10-25.30	25.13-25.17	15½-14½gro pm	7.13	42½-39½pm	6.51
Switz.	3.0560-3.0705	3.06-3.07	2¼-2c pm	8.32	6-5½pm	7.67

Belgian rate is for convertible francs. Financial franc 72.25-72.35
Six-month forward dollar 2.00-1.90c pm. 12-month 2.65-2.45c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Feb 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.0935-1.1085	1.0960-1.0970	0.52-0.48c pm	5.47	1.30-1.25pm	4.65
Ireland†	0.9485-0.9570	0.9485-0.9505	0.50-0.40c pm	5.65	1.30-1.10pm	5.02
Canada	1.3356-1.3394	1.3385-1.3390	0.12-0.15c dis	−1.21	0.37-0.42dis	−1.18
Nethlnd.	3.6780-3.7110	3.7095-3.7105	0.55-0.53c pm	1.76	1.92-1.88pm	2.06
Belgium	65.10-65.65	65.55-65.65	12-13c dis	−2.30	34-36dis	−2.14
Denmark	11.60-11.69½	11.67¼-11.67¾	1-1½ore dis	−1.29	4-4½dis	−1.46
W. Ger.	3.2495-3.2765	3.2745-3.2755	0.66-0.61pf pm	2.34	2.15-2.10pm	2.61
Portugal	180-185	180-183	250-550c dis	−26.37	650-1450dis	−23.08
Spain	179.23-180.40	179.90-180.05	51-60c dis	−3.70	155-170dis	−3.61
Italy	1997½-2011½	2010-2011	8½-9lire dis	−5.24	27¼-28dis	−5.54
Norway	9.33½-9.40½	9.39¼-9.39¾	2¼-2¾ore dis	−3.21	6¾-7¼dis	−2.99
France	9.91½-9.99½	9.98¾-9.99¼	1.50-1.60c dis	−1.87	4.50-4.80dis	−1.87
Sweden	9.21-9.27¾	9.27¼-9.27¾	4-4½ore dis	−5.52	11¾-12¾dis	−5.20
Japan	260.25-261.80	261.55-261.65	0.51-0.47y pm	2.25	1.67-1.62pm	2.52
Austria	22.83½-23.00	22.95-22.98	4-3½gro pm	1.96	13½-11½pm	2.18
Switz.	2.7750-2.7970	2.7935-2.7945	0.72-0.66c pm	2.97	2.28-2.22pm	3.23

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 65.90-66.00.

OTHER CURRENCIES

Feb. 11	£	$		£ Note Rates
Argentina Peso	256.25-256.72	233.60-233.80	Austria	25.15-25.40
Australia Dollar	1.4500-1.4520	1.3120-1.3130	Belgium	72.00-72.80
Brazil Cruzeiro	3,991-4,014	3,638-3,656	Denmark	12.77-12.90
Finland Markka	7.4905-7.5075	6.7855-6.7875	France	10.93-11.05
Greek Drachma	144.65-147.59	130.91-133.55	Germany	3.58-3.61
HongKong Dollar	8.5540-8.5640	7.8010-7.8030	Italy	2195-2230
Iran Rial	105.90*	95.10*	Japan	288-291
KuwaitDinar(KD)	0.3375-0.3380	0.30825-0.30830	Netherlands	4.05-4.09
Luxembourg Fr	71.85-71.95	65.55-65.65	Norway	10.21-10.38
Malaysia Dollar	2.7980-2.8040	2.5530-2.5550	Portugal	195-210
New Zealand Dlr.	2.4115-2.4165	2.1835-2.1860	Spain	195-205
Saudi Arab Riyal	3.9220-3.9270	3.5820-3.5830	Sweden	10.14-10.24
Singapore Dollar	2.4775-2.4830	2.2580-2.2610	Switzerland	3.06-3.09
Sth African Rand	2.0610-2.0710	1.8815-1.8885	United States	1.09½-1.12
U.A.E. Dirham	4.0205-4.0260	3.6720-3.6730	Yugoslavia	290-310

* Selling rates.

CURRENCY MOVEMENTS

Feb. 11	Bank of England Index	Morgan Guaranty Change%
Sterling	71.1	−19.1
U.S. dollar	150.3	+35.4
Canadian dollar	91.0	−3.7
Austrian schilling	109.4	+3.8
Belgian franc	88.2	−10.5
Danish Kroner	76.0	−5.0
Deutsche mark	119.2	+5.7
Swiss franc	133.0	+5.4
Guilder	109.1	+2.6
French franc	63.2	−16.3
Lira	46.4	−13.8
Yen	158.4	+9.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Feb. 11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.873429	0.618498
U.S. $	8	0.964440	0.683749
Canadian $	10.31	*	0.914036
Austria Sch.	4½	22.0616	15.6374
Belgian Fr.	11	63.0237	44.6591
Danish Kr.	7	11.2087	7.95611
Dmark	4½	3.14147	2.22897
Guilder	5½	3.55878	2.52064
French Fr.	9½	9.59280	6.79647
Lira	15½	N/A	1368.87
Yen	5	N/A	178.288
Norway Kr.	8	9.01610	6.39853
Span'h Pta	½	173.318	122.904
Swedish Kr.	9	8.89503	6.30827
Swiss Fr	4	2.68548	1.90356
Greek Dr'ch	20½	127.649	90.5489
Irish Punt	12¾	1.00988	0.715968

*C$/SDR rate for February 7: 1.29268.

EXCHANGE CROSS RATES

Feb. 11	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.097	3.593	286.8	10.94	3.065	4.068	2205.	1.477	71.90
U.S. Dollar	0.912	1.	3.275	261.5	9.990	2.794	3.710	2011.	1.337	65.50
Deutschemark	0.278	0.305	1.	79.82	3.045	0.853	1.132	613.6	0.408	20.01
Japanese Yen 1,000	3.487	3.824	12.53	1000.	38.15	10.69	14.18	7688.	5.114	250.7
French Franc 10	0.914	1.002	3.284	262.1	10.	2.802	3.718	2015.	1.340	65.72
Swiss Franc	0.326	0.358	1.172	93.56	3.569	1.	1.327	719.2	0.478	23.46
Dutch Guilder	0.246	0.270	0.883	70.50	2.690	0.754	1.	542.0	0.361	17.68
Italian Lira 1,000	0.454	0.497	1.630	130.1	4.963	1.390	1.845	1000.	0.665	32.62
Canadian Dollar	0.612	0.748	2.450	195.5	7.460	2.090	2.774	1503	1.	49.03
Belgian Franc 100	1.391	1.525	4.997	398.8	15.22	4.263	5.657	3066.	2.040	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Feb. 11	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	14¼-14½	8 3/16-8 5/16	9-9⅛	6 1/16-6 3/16	1⅞-2	5⅞-6	10⅛-10⅝	14-15	10¼-10¾	10½-10¾	6 1/16-6¼	9⅛-9⅝
7 days' notice	14⅛-14⅜	8 7/16-8 9/16	9½-9⅞	6 1/16-6 3/16	2-2¼	6-6⅛	10⅛-10⅝	13⅝-14⅝	10¼-10¾	10½-10¾	6 1/16-6¼	9⅜-10⅛
Month	14¼-14⅜	8 11/16-8 13/16	9¾-9 13/16	6 5/16-6 7/16	5⅜-5½	6 1/16-6 3/16	10⅛-10⅝	13⅞-14⅜	10½-11	10⅝-10⅞	6 1/16-6⅜	9⅝-10⅛
Three months	13 13/16-13 15/16	8 15/16-9 1/16	10⅛-10 5/16	6 9/16-7 1/16	5⅜-5 9/16	6¼-6⅜	10 15/16-11 1/16	14¼-14¾	10½-11	10¾-11	6⅜-6 9/16	10¼-10¾
Six months	13¼-13⅜	9 7/16-9 9/16	10½-10 11/16	7 1/16-7 3/16	5 11/16-5 13/16	6⅛-6⅜	11¼-11⅝	14⅝-15	10½-11	10¾-11	6⅜-6½	10½-11
One year	12 9/16-12 11/16	9 15/16-10 1/16	10 13/16-11	7⅛-7¼	5¾-5⅞	6 11/16-6 13/16	11 11/16-11 13/16	15⅛-15⅝	11-11½	10⅞-11⅛	6 7/16-6½	10⅝-11⅛

Asian $ (closing rates in Singapore): Short-term 8½-8⅝ per cent; seven days 8⅝-8¾ per cent; one month 8 11/16-8 13/16 per cent; three months 9-9⅛ per cent; six months 9 5/16-9 7/16 per cent; one year 10-10⅛ per cent. Long-term Eurodollars: two years 10¾-11 per cent; three years 11-11¼ per cent; four years 11⅜-11⅝ per cent; five years 11⅝-11⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London rates up on weak pound

Interest rates rose sharply from Friday's levels in the London money market yesterday in reaction to sterling's fall to below $1.10. The rise in rates meant that three-month interbank money was now more in line with the current base rate of 14 per cent, having risen to finish at 13⅞-14 per cent up from 13½-13⅝ per cent. Three-month eligible bank bills rose to 13⅜-13½ per cent on the bid side, up from 12⅞-12¾ per cent on Friday and now in line with the Bank of England's dealing rate of 13½ per cent on band 4 bills. Overnight interbank money traded between 14½ per cent and 10 per cent before finishing at 14 per cent.

The Bank of England forecast a shortage of around £350m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £419m and the unwinding of previous sale and repurchase agreements a further £275m. In addition banks brought forward balances £55m below target. These were partly offset by Exchequer transactions which added £140m and a fall in the note circulation of £270m.

The forecast was revised to a shortage of around £400m and the Bank gave help in the morning of £180m, comprising purchases of £80m of eligible bank bills in band 2 (15-33 days) at 13⅞ per cent and £23m in band 3 (34-63 days) at 13⅝ per cent. It also arranged sale and repurchase agreements on £77m of bills at 13⅞ per cent, unwinding on February 18.

In the afternoon it gave assistance of £182m, buying £76m of eligible bank bills in band 1 (up to 14 days) at 13⅞ per cent and £95m in band 2 at 13⅞ per cent. In band 3 it bought £11m of eligible bank bills at 13⅝ per cent. It also arranged sale and repurchase agreements on £5m of bills at 13⅞ per cent, for resale on February 18. Late assistance came to £50m, making a total of £417m.

UK clearing banks base lending rate 14 per cent since January 28

MONEY RATES

Feb. 11	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.00-6.10	10⅝	1⅞-2⅛	6⅝-6¾	6.28125	15⅞-16¼	10.75	14⅜-14⅝
One month	5.60-5.75	10 7/16-10 11/16	5 5/16-5 7/16	6 5/16-6 9/16	6.3125	15¾-16⅛	10⅝-10⅞	14¾-15
Two months	5.95-6.10	10 9/16-10 11/16	—	—	—	—	—	14⅝-14⅞
Three months	6.10-6.25	10⅝-10¾	5½-5⅝	6 9/16-7 1/16	6.34375	15¾-16⅛	10¾-11	14⅝-14⅞
Six months	6.30-6.45	10⅝-10¾	—	7-7⅛	—	—	10¾-11	14⅜-14⅝
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10½	—	5¾	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Feb. 11 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	10-14½	14¼	13-14½	12-14¼	—	—	—	—	—
2 days notice	—	—	14⅛-14¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14⅛-14⅜	14⅛-14¼	14⅜	14	—	—	—	—	—
One month	14¼-14⅜	14⅛-14⅜	14¼	14⅜	13¾	13¾	13¼	13 13/16	13⅝-13 11/16	14 1/16
Two months	14⅛-13⅞	13¾-14⅛	14	14⅛	13	13⅛	13⅝	13⅝	13 9/16	14¼
Three months	13¾-13 11/16	13⅛-14	13⅝	13⅞	13½	13¼	13	13⅝-13½	13⅛-13⅝	14
Six months	12¾-12⅛	12⅞-13½	13⅞	—	—	—	—	12¼-12 11/16	12⅛-12 11/16	13
Nine months	12¼-12	12½-13	—	—	—	—	—	—	—	—
One year	12¼-12	12⅜-12¾	12¼	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	14⅜-14¼	—	14¼	8.55-8.65	8 7/16-8 11/16	10 9/16-10⅜
Two months	14-14¼	—	13⅞	8.65-8.75	8 9/16-8 11/16	10 7/16-10⅜
Three months	13¾-14¼	—	13¾	8.7-8.8	8 11/16-8 13/16	10 7/16-10⅜
Six months	13-13⅜	—	12⅞	9.0-9.1	8⅞-9⅛	10 7/16-10⅜
Nine months	12¾-13	—	12⅝	9.5-9.6	—	—
One year	12½-12⅝	—	12½	9.7-9.9	9 7/16-9 9/16	10⅛-10 7/16
Two years	—	11⅞	—	—	—	—
Three years	—	11 11/16	—	—	—	—
Four years	—	11¾	—	—	—	—
Five years	—	11¾	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period January 2 to February 1985 (inclusive): 11.840 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from February 1 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11¼ per cent. Treasury Bills: Average tender rates of discount 12.3781 per cent. Certificates of Tax Deposit (Series 6): Sales temporarily suspended. Rates prior to suspension were: Deposit £100,000 and over held under one month 14¼ per cent; one-three months 14 per cent; three-six months 13¾ per cent; six-nine months 13½ per cent; nine-12 months 13¼ per cent. Under £100,000 12⅞ per cent from January 30. Deposits held under Series 5 10 per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES
NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9⅝
Fed funds	8¾
Fed funds at intervention	—

Treasury Bills

One month	7.60
Two month	7.95
Three month	8.19
Six month	8.27
One year	8.44

Treasury Bonds

Two year	99½
Three year	99⅞
Four year	99½
Five year	99 23/32
Seven year	101 17/32
10 year	99 7/32
30 year	99⅝

FT LONDON INTERBANK FIXING

(11.00 a.m. February 11)
3 months U.S. dollars

bid 9	offer 9 1/8

6 months U.S. dollars

bid 9 5/16	offer 9 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Sharp fall

Sterling based contracts fell sharply in the London International Financial Futures Exchange yesterday as the pound fell to a record low against the dollar. Prices opened lower but resisted downward pressure in rather thin trading during the morning. However the dollar's continued strength in the afternoon prompted heavy liquidation, with the vanishing prospect of an early cut in base rates adding to the gloom. A little profit taking helped values finish just above the day's lows.

A small rise in the UK producer price index created further disappointment although attention quickly returned to sterling's fall.

Euro-dollar prices opened higher and gained strength from a firmer dollar, based on hopes that the strength of the dollar would deter any rise in cash rates. There were also expectations that a start today of the FOMC meeting would result in a maintaining of the current mild tightening in U.S. credit policy as opposed to any significant rise in rates.

FT-SE prices opened lower but recovered in line with equities and a steady to firm U.S. market, to finish up on the day.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
March	90.75	90.81	90.75	90.57
June	90.18	90.23	90.16	89.97
Sept	89.61	89.66	89.61	89.41
Dec	89.15	89.18	89.15	88.95
March	88.78	—	—	88.58

Estimated volume 2,534 (7,496)
Previous day's open int 14,517 (14,659)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	72-06	72-17	72-05	71-19
June	71-05	—	—	70-20

Estimated volume 779 (2,614)
Previous day's open int 2,730 (2,147)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 11, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.04
Algeria	Dinar	(A) 5.71
Andorra	French Franc	10.94
	Spanish Peseta	197.65
Angola	Kwanza	(CM) 33.3035
Antigua	E. Caribbean $	2.98
Greenland	Danish Kroner	12.7950
Grenada	E. Caribbean $	2.98
Guadaloupe	Local Franc	10.94
Guam	U.S. $	1.0965
Guatemala	Quetzal	1.0965
Guinea	Syli	28.18
Guinea-Bissau	Peso	95.95
Guyana	Guyanese $	4.6475
Peru	Sol	exe(A)7,388.95
Philippines	Philippine Peso	18.65
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.4140
Poland	Zloty	155.67

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 11.

[illegible]

OVER-THE-COUNTER

Continued from Page 32

[illegible]

Indices

NEW YORK

[illegible]

** Saturday February 2: Japan Nikkei-Dow 11,889.6. TSE 923.86. Base values of all indices are 100 except Australia All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Exclusive bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. (u) Unavailable.

CAPITAL MARKETS

UBS leads Nestlé market debut with $100m offering

BY MAGGIE URRY IN LONDON

UBS (SECURITIES) was busy again in the Eurodollar bond market yesterday, launching two more deals, each raising $100m. The first was for Nestlé Holdings, the food company's U.S. subsidiary, and was not guaranteed by the parent company.

The issue has a three-year life and 9⅝ per cent coupon with a par issue price. It is not to be listed on any stock exchange, though a secondary market will be maintained in the bonds.

Despite the tight terms, strong demand for the issue, Nestlé's first Eurobond, was seen from Switzerland, and the bonds were bid at a ⅝ per cent discount to the issue price, well inside the ⅞ per cent selling concession. UBS lined up five co-leads for the deal.

The other issue, for Nabisco, the U.S. food company, did not trade actively. Again the terms were tight at a 10⅝ per cent coupon for a five-year life and par issue price. Fees total 1⅞ per cent.

Meanwhile the trading level for UBS's $300m Rockwell issue, launched last Friday, was moving up to be bid at a 2-point discount to the 99¾ issue price. Dealers felt, though, that this was due to support from UBS.

The Eurodollar bond market was quiet yesterday, and prices rose about ⅛ point, trailing a stronger New York bond market. Most new issues are still trading outside commissions.

BHF Bank bond average		
Feb 11		Previous
101.217		101.264
High	1984/85	Low
103.042		98.056

S.G. Warburg, with Schroder as co-lead, broke new ground in the Eurosterling floating rate note market, bringing an issue for a corporate borrower – Consolidated Goldfields. The £75m issue has a 10-year life and pays interest at a rate of ⅛ per cent over the three-month London interbank offered rate (Libor). Front-end fees total 70 basis points.

Traders reported that the issue was moving slowly at a trading level around the 55 basis point fees paid to co-managers. Banks are the main issuers and investors in the FRN market, and it takes time for them to assess the credit risk of other borrowers before buying their FRN's.

Continental bond markets continued depressed, with trading volume low. D-Mark bonds fell by up to ½ point, as investors steered clear of the market. Swiss franc issues were lower by ¼ point to ½ point. ITT's SwFr 100m 10-year issue with a 5⅝ per cent coupon started trading yesterday, closing at 97¾ compared with its par issue price.

Credit Suisse launched a SwFr 80m public issue for Hydro-Electric Commission of Tasmania. The 10-year bonds are expected to yield 5⅝ per cent.

Borrowers' payments keep market rolling

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

INTEREST AND principal repayments by borrowers in the Eurobond market should rise to about $37.1bn this year from $34.6bn in 1984, according to a study by Orion Royal Bank.

It said the timing of payment reflows could help forecast the market's ability to absorb new issues as experience showed a significant portion of the payments were reinvested in the Eurobond market.

The volume of reflows, which were expected to rise to $51.5bn in 1989, suggested the Eurobond market had acquired a self-sustaining momentum. This year's total compared with a new issue volume of $86.1bn in 1984.

Orion's figures suggest May should be a good month for borrowers in the Eurobond market as reflows from existing issues will peak in that month at $4.6bn.

Orion warned that while this amount represented cash in hand for potential investors the funds might not all flow to bonds in the same currency sector. Interest payments were also less likely to be reinvested than principal payments.

Interest payments would make up 68 per cent of this year's reflows. In five to seven years' time last year's jump in new issue activity would be reflected in a surge in principal repayments.

[illegible]

We regret that due to communications problems this listing is incomplete.